

Thailand's March Indicators

Largely external demand-driven

Key Takeaways: Strong external demand caused the 1Q18 current account to hit an all-time high. Exports in March reached a record US\$22 billion, pushing 1Q18 exports up 11.3%YoY on a customs basis (more details in Thailand's Goods Exports – Surprises on the upside of April 30), which is equivalent to 9.9%YoY on a BOP basis¹. Meanwhile, March import growth hit a 6-month low of 6.7%YoY (BOP basis) after imports of raw materials and capital goods built up in January and February, causing imports in 1Q18 to rise by 16.3%YoY (BOP basis). Consequently, the 1Q18 trade surplus came in at US\$6.6 billion. Strong tourism revenue growth of 19%YoY, which largely resulted from a record high Chinese tourists arrivals, also helped push the 1Q18 current account to US\$17 billion—an all-time high first-quarter figure (Exhibit 1).

Meanwhile, the domestic economy remains tepid. Despite healthy signs of private investment in the first two months, the March Private Investment Index (PII) fell a disappointing 5% YoY primarily due to the decline in imports of capital goods and domestic machinery sales. In the meantime, the Private Consumption Index (PCI) in March increased by 2.6%YoY, reflecting a gradual recovery in consumption (Exhibit 2). Nevertheless, household income continued to be constrained by farm income, which has been highly correlated to global agricultural prices and has declined 9 months in a row (Exhibit 3). Prices of rubber and palm oil, which accounted for over one-third of Thailand's agricultural commodity exports, are projected to be lower than last year due to excess supply. Finally, government investment in 1Q18 stood at THB111.6 billion, near last year's level, though investment in March edged up from the first two months (Exhibit 4).

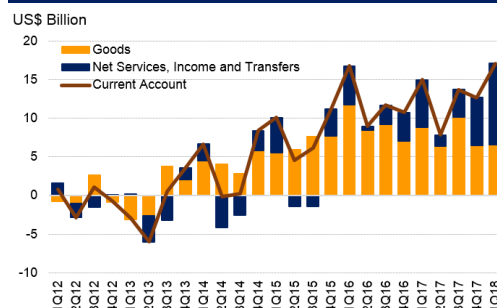
Our Assessment

Given continued strength in exports and tourism, the 2018 annual current account surplus may beat the consensus (US\$39.7 billion) and our forecast (US\$38 billion). From our clients, we have also observed that businesses with stronger performance are mostly the ones related to major export sectors and tourism—such as automotive parts, electrical and IT products (such as low cost smart phone producers like Huawei), hotels, and aviation-related sectors. On the other hand, the ones with weaker growth are concentrated in sectors that rely more on domestic demand. Such a situation could continue as lackluster agricultural prices and the erosion of export margins through Thai baht appreciation would continue to weigh on household income, constraining purchasing power.

Still, prospects for government infrastructure investment are encouraging, particularly from the second half of the year onward. The commencement of more projects and the completion of process adjustments in line with the new Procurement Act implies faster disbursement rates. In addition, the upside from the EEC projects has become more visible, as the main EEC infrastructure projects are progressing (market sounding for the Map Ta Phut port has been completed and that for the Laem Chabang Port will be carried out today) and more international investors, from Airbus to Alibaba, are planning to invest in the area.

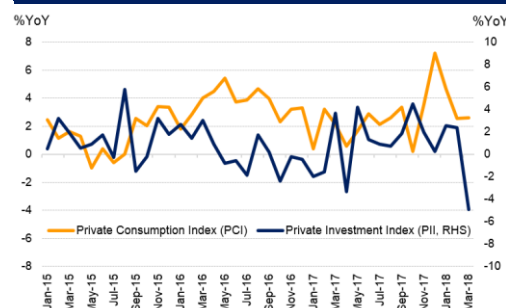
May 2, 2018

Exhibit 1: Current Account Balance



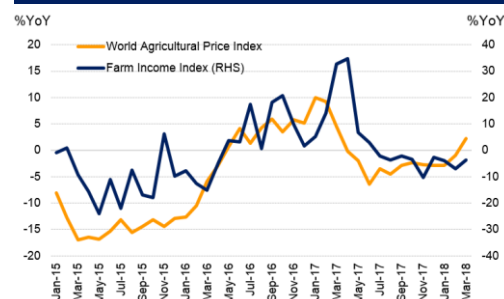
Source: Bank of Thailand

Exhibit 2: Private Consumption and Investment Indices



Source: Bank of Thailand

Exhibit 3: Thailand's Farm Income and World Agricultural Price Indices



Source: Office of Agricultural Economics, World Bank

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¹ The customs basis trade balance recorded a deficit of USD120 million. Unlike the customs basis, the BOP basis excludes goods transferred to Thai citizens abroad and transactions associated with shipment.

Exhibit 4: Economic Indicators

	2017	2017				2018			
		Q1	Q2	Q3	Q4	Q1	Jan	Feb	Mar
Private Consumption									
Private Consumption Index (PCI)	118.7	105.7	106.7	112.8	112.8	119.2	118.2	110.3	129.2
PCI (% YoY)	2.5	1.9	1.7	2.7	3.7	3.3	4.7	2.6	2.6
Imports of consumer goods (% YoY)	7.3	0.8	7.8	7.6	12.9	21.3	38.6	18.4	9.7
Motorcycles sales (% YoY)	5.2	4.4	8.2	0.2	8.2	0.7	5.3	-3.4	0.3
Passenger cars sales (% YoY)	18.1	19.1	11.3	9.5	32.1	14.8	26.5	11.0	10.4
Non-durable index (% YoY)	0.5	-0.1	0.3	1.8	0.0	0.5	-0.1	0.9	0.6
Semi-durable index (% YoY)	0.7	0.5	0.6	1.0	0.6	2.2	4.5	2.9	-0.6
Durable index (% YoY)	7.9	8.2	5.3	4.7	12.6	6.2	9.8	4.0	5.1
Service index (% YoY)	6.9	4.8	6.1	5.3	11.4	8.5	8.1	8.4	8.9
Net tourist spending (% YoY)	13.5	7.4	15.2	9.2	23.7	12.1	5.2	15.2	17.0
Private Investment									
Private Investment Index (% YoY)	1.1	0.2	0.8	1.1	2.2	-0.3	2.5	2.3	-5.0
One Ton Pickup (% YoY)	7.7	7.8	0.8	13.2	8.7	10.5	7.1	7.9	15.0
Commercial car sales (% YoY)	8.5	12.8	1.5	15.3	5.2	10.3	6.4	9.3	14.0
Permitted construction area (9mma) (% YoY)	-6.2	-7.0	-3.9	-5.8	-8.1	-5.0	-5.5	-4.5	-4.8
Construction material index (% YoY)	-0.9	-3.3	0.0	2.2	-2.3	-1.9	-3.4	-1.6	-1.0
Domestic machinery sales (% YoY)	1.0	2.8	-1.2	1.1	1.2	-1.6	0.6	3.1	-7.3
Newly registered motor vehicle for investment (% YoY)	5.7	-3.4	10.3	6.5	11.8	3.0	5.0	4.2	0.2
Import capital goods (% YoY)	3.2	-1.1	5.3	4.4	4.3	2.8	12.8	7.0	-9.3
Import raw materials (% YoY)	16.9	21.2	16.1	13.2	17.4	17.9	29.9	18.9	7.5
Capacity utilization (%)	67.1	69.6	64.5	67.1	67.4	72.4	70.5	70.5	76.1
MPI (% YoY)	2.5	0.1	0.8	5.0	4.4	3.9	4.7	4.6	2.6
Government Expenditure									
Current expenditure ex. subsidies/grants and other (billion baht)	1546.6	376.4	361.7	382.3	426.3	382.9	125.1	116.7	141.0
Current expenditure ex. subsidies/grants and other (% YoY)	1.8	0.9	0.2	4.2	1.9	1.7	-2.3	3.2	4.3
Capital expenditure ex. subsidies/grants and other (billion baht)	397.7	111.7	84.5	100.2	101.2	111.6	31.0	34.7	45.9
Capital expenditure ex. subsidies/grants and other (% YoY)	-5.0	7.6	-21.7	3.0	-7.6	0.0	17.6	10.7	-14.9
External Sector									
Exports of goods (BoP, billion USD)	235.1	56.2	56.1	61.6	61.2	61.8	19.9	19.8	22.1
Export (% YoY)	9.7	6.8	7.9	12.5	11.6	9.9	16.7	7.7	6.3
Export vol (% YoY)	5.9	2.9	5.0	8.7	7.0	5.0	11.3	3.1	1.4
Imports of goods (BoP, billion USD)	203.2	47.4	49.7	51.5	54.7	55.2	18.6	17.5	19.0
Import (% YoY)	14.4	15.9	14.2	13.0	14.6	16.3	22.5	21.8	6.7
Import vol (% YoY)	8.4	7.2	9.2	8.8	8.3	9.2	14.8	14.7	-0.1
Tourist arrival (million arrivals)	35.4	9.2	8.1	8.8	9.3	10.6	3.5	3.6	3.5
Tourist arrival (% YoY)	8.8	2.1	8.3	6.4	19.5	15.4	10.9	19.3	16.3
Tourist revenue (billion baht)	1824.0	481.7	395.0	453.4	494.0	573.3	188.9	195.3	189.2
Tourist revenue (% YoY)	11.7	5.7	9.8	8.8	23.2	19.0	11.6	23.8	22.3
Trade balance (billion USD)	31.9	8.8	6.4	10.1	6.5	6.6	1.3	2.3	3.0
Net services, income and transfers (billion USD)	16.3	6.2	1.4	3.8	4.8	10.5	3.9	3.9	2.7
Current account (billion USD)	48.1	15.0	7.8	13.9	11.3	17.1	5.2	6.2	5.8
Capital account (billion USD)	-0.1	0.0	0.0	0.0	-0.1	-0.6	0.0	-0.6	0.0
Financial account (billion USD)	-18.2	-7.0	-5.7	0.5	-6.0	-0.7	5.0	-3.3	-2.4
Overall balance (billion USD)	26.0	8.2	2.0	12.6	3.2	12.0	9.0	0.0	3.0
International reserves (billion USD)	194.0	172.7	177.3	190.9	194.0	206.9	205.9	204.1	206.9
Net forward position (billion USD)	36.7	26.6	31.3	31.2	36.7	35.8	34.8	36.1	35.8
Labor Market									
Unemployment (%)	1.2	1.2	1.2	1.2	1.1	1.2	1.3	1.3	1.2
Farm income (% YoY)	3.0	15.9	13.9	-3.1	-6.8	-4.8	-3.9	-7.0	-3.8
Non farm income (% YoY)	0.2	-0.6	0.4	1.1	0.0	3.5	4.1	3.2	4.2
Wage chg (% YoY)	-0.1	-0.8	2.4	1.6	0.1	3.0	2.6	2.5	3.0
Interest Rate and Currency									
CPI (%)	0.7	1.3	0.1	0.4	0.9	0.6	0.7	0.4	0.8
CPI, core (%)	0.6	0.7	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Repo rate (%)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
MLR : max (%)	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
3M deposit rate (%)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
10Y govt bond yield (%)	2.6	2.8	2.6	2.4	2.6	2.6	2.5	2.6	2.6
THB/USD (avg)	33.92	35.10	34.30	33.36	32.91	31.54	31.87	31.49	31.26

Source: Bank of Thailand, CEIC, Fiscal Policy Office

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80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 00359		Pass
Below 50	No logo given	N/A

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HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

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