Bangkok Bank RESEARCH

ECONOMICS

Thailand’s Economic Indicators (Apr.)

Positive readings overall, but uncertainties over higher oil prices loom

June 1, 2018

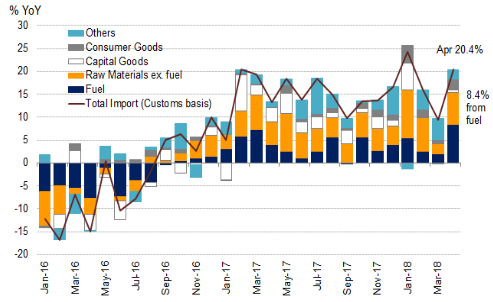
Key Takeaways: Although tailwinds from external demand has continued to support exports, higher oil prices and a softer tourism revenue drove the current acount surplus to a 10-month low. Export of goods in April came in at US$18.9 billion, growing by 14.6% YoY (BOP basis) with expansion in almost every export categories. On the other hand, merchandise imports totaled US$18.7 billion in April, up 20.4% YoY mainly due to higher imports of fuels, raw materials, and consumer goods. Further, the contribution of fuel imports to total import growth in April surged to 8.4% YoY (Exhibit 1), the highest in five years, from a combination of higher Dubai crude price–which has risen by 11.4% from the end of 2017 to an average of US$68.4/bbl in April–and growing fuel import volume. Consequently the April trade balance narrowed to a 3-year low of US$234.4 million. At the same time, tourism revenue rose by a solid 12.5% YoY, albeit slower than the 22.3% YoY growth in March as tourism enters its low season. As a result, the current account balance narrowed sharply to a 48-month low of US$1.4 billion in April (Exhibit 2).

The domestic economic indicators in April suggested that consumption and investment continued to expand at a higher pace than in 1Q18, while the impacts of buoyant oil prices contributed greatly to higher inflation. The Private Consumption Index (PCI) rose by 5.8% YoY, driven primarily by consumption of durables and services. Moreover, the Private Investment Index (PII) surged by a much higher rate of 7.0% YoY (compared to 1.7%YoY in 1Q18), reflected by an acceleration in imports of capital goods recovery, real domestic machinery sales, and newly registered motor vehicles for investment. In addition, the March PII was also revised upwards from -5% YoY to -0.4% YoY due to a stronger-than-expected domestic machinery sales. Nevertheless,the April headline inflation increased to 1.07% YoY, above the 1% YoY level for the first time in 13 months, as rising oil prices started to translate into higher domestic energy prices. Meanwhile, core inflation gradually edged up to 0.64% YoY in April , the highest in 14 months, in line with firmer domestic demand.(Exhibit 3).

Our Assessment

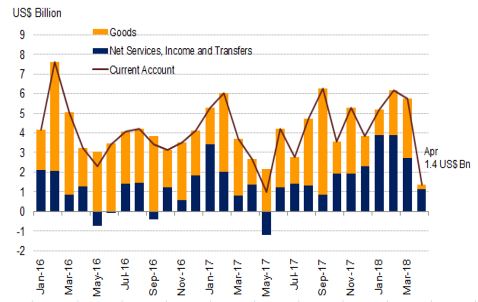
From the better-than-expected first quarter reading, the indicators in April pointed to accelerating momentum. In particular, the strong momentum in exports and better-than-expected consumption, have supported production activities, implying an upside risk to private investment. However, the prospect of higher oil prices may have some bearing over the current account forecast (which accumulated to US$18.5 billion over the first 4 months of 2018 compared to our whole year 2018 forecast of US$38 billion). In addition, we see greater uncertainties to our outlook for growth and inflation.

Exhibit 1: Contribution to Import Growth



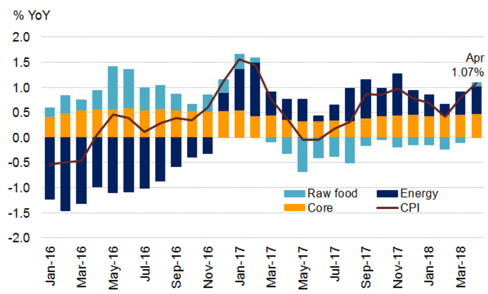
Source: Bank of Thailand

Exhibit 2: Current Account Balance



Source: Bank of Thailand

Exhibit 3: Contribution to Headline Inflation



Sources: Ministry of Commerce

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Exhibit 4: Monthly Economic Indicators

	2017	2017				2018		
		Q1	Q2	Q3	Q4	Q1	Mar	Apr
Private Consumption								
Private Consumption Index (PCI)	118.8	105.7	106.7	112.8	112.9	118.9	128.1	128.5
PCI (% YoY)	2.6	1.9	1.7	2.7	3.8	3.0	1.7	5.8
Imports of consumer goods (% YoY)	7.3	0.8	7.8	7.6	12.9	21.3	9.7	22.8
Motorcycles sales (% YoY)	5.2	4.4	8.2	0.2	8.2	0.7	0.3	-1.2
Passenger cars sales (% YoY)	18.1	19.1	11.3	9.5	32.1	14.8	10.4	25.2
Non-durable index (% YoY)	0.5	-0.1	0.3	1.8	0.0	0.5	0.6	-0.2
Semi-durable index (% YoY)	0.7	0.6	0.6	1.0	0.6	2.5	0.3	4.2
Durable index (% YoY)	8.0	8.3	5.4	4.9	12.8	6.3	5.3	11.2
Service index (% YoY)	7.0	4.9	6.2	5.4	11.6	7.4	6.7	9.1
Net tourist spending (% YoY)	13.5	7.4	15.2	9.2	23.7	10.6	15.5	4.2
Private Investment								
Private Investment Index (% YoY)	1.3	0.1	1.2	1.7	2.0	1.7	-0.4	7.0
One Ton Pickup (% YoY)	7.7	7.8	0.8	13.2	8.7	10.5	15.0	25.7
Commercial car sales (% YoY)	9.6	13.7	1.9	17.5	6.1	11.8	15.8	24.6
Permitted construction area (9mma) (% YoY)	-6.2	-7.0	-3.9	-5.8	-8.1	-4.8	-4.3	-0.6
Construction material index (% YoY)	-0.9	-3.3	0.0	2.2	-2.3	-1.8	-0.5	0.0
Newly registered motor vehicle for investment (% YoY)	5.7	-3.4	10.3	6.5	11.8	3.0	0.2	12.1
Import of capital goods (% YoY)	3.2	-1.1	5.3	4.4	4.1	2.8	-9.3	10.3
Import of raw materials (% YoY)	16.9	21.2	16.1	13.2	17.4	17.9	7.5	27.6
Capacity utilisation (%)	67.1	69.6	64.5	67.1	67.4	72.5	76.3	61.6
Capacity utilisation (%) (SA)	-	65.5	66.8	68.6	67.8	68.1	68.1	68.1
MPI (% YoY)	2.5	0.1	0.8	5.0	4.4	4.1	3.2	4.0
Government Expenditure								
Current expenditure ex. subsidies/grants and other (billion baht)	1547.9	376.4	361.7	382.3	427.6	382.9	141.0	122.0
Current expenditure ex. subsidies/grants and other (% YoY)	1.7	0.9	0.2	4.2	1.7	1.7	4.3	3.3
Capital expenditure ex. subsidies/grants and other (billion baht)	397.7	111.7	84.5	100.2	101.2	111.6	45.9	25.9
Capital expenditure ex. subsidies/grants and other (% YoY)	-5.0	7.6	-21.7	3.0	-7.6	0.0	-14.9	15.9
External Sector								
Exports of goods (BoP, billion USD)	235.1	56.2	56.1	61.6	61.2	61.8	22.1	18.9
Export (% YoY)	9.7	6.8	7.9	12.5	11.6	9.9	6.3	14.6
Export vol (% YoY)	5.9	2.9	5.0	8.7	7.0	5.0	1.4	9.5
Imports of goods (BoP, billion USD)	203.2	47.4	49.7	51.5	54.7	55.2	19.0	18.7
Import (% YoY)	14.4	15.9	14.2	13.0	14.6	16.3	6.7	22.7
Import vol (% YoY)	8.4	7.2	9.2	8.8	8.3	9.2	-0.1	15.3
Tourist arrival (million arrivals)	35.4	9.2	8.1	8.8	9.3	10.6	3.5	3.1
Tourist arrival (% YoY)	8.8	2.1	8.3	6.4	19.5	15.4	16.3	9.4
Tourist revenue (billion baht)	1824.0	481.7	395.0	453.4	494.0	573.3	189.2	157.4
Tourist revenue (% YoY)	11.7	5.7	9.8	8.8	23.2	19.0	22.3	12.5
Trade balance (billion USD)	31.9	8.8	6.4	10.1	6.5	6.6	3.0	0.2
Net services, income and transfers (billion USD)	16.3	6.2	1.4	3.8	4.8	10.5	2.7	1.1
Current account (billion USD)	48.1	15.0	7.8	13.9	11.3	17.1	5.8	1.4
Capital account (billion USD)	-0.1	0.0	0.0	0.0	-0.1	-0.6	0.0	0.0
Financial account (billion USD)	-18.2	-7.0	-5.7	0.5	-6.0	-0.7	-2.4	-0.1
Overall balance (billion USD)	26.0	8.2	2.0	12.6	3.2	12.0	3.0	0.9
International reserves (billion USD)	194.0	172.7	177.3	190.9	194.0	206.9	206.9	206.6
Net forward position (billion USD)	36.7	26.6	31.3	31.2	36.7	35.8	35.8	34.2
Labor Market								
Unemployment (%)	1.2	1.2	1.2	1.2	1.1	1.2	1.2	1.1
Farm income (% YoY)	2.7	15.9	13.9	-3.1	-6.8	-4.5	-4.2	-0.7
Non farm income (% YoY)	0.2	-0.6	0.4	1.1	0.0	3.5	4.2	4.1
Wage chg (% YoY)	-0.1	-0.6	-0.2	0.5	0.1	2.3	3.0	3.1
Inflation, Interest Rate and Currency								
CPI (%)	0.7	1.3	0.1	0.4	0.9	0.6	0.8	1.1
CPI, core (%)	0.6	0.7	0.5	0.5	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
MLR : max (%)	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
10Y govt bond yield (%)	2.6	2.8	2.6	2.4	2.6	2.6	2.6	2.6
THB/USD (avg)	33.92	35.10	34.30	33.36	32.91	31.54	31.26	31.31

Source: Bank of Thailand, CEIC, Fiscal Policy Office

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