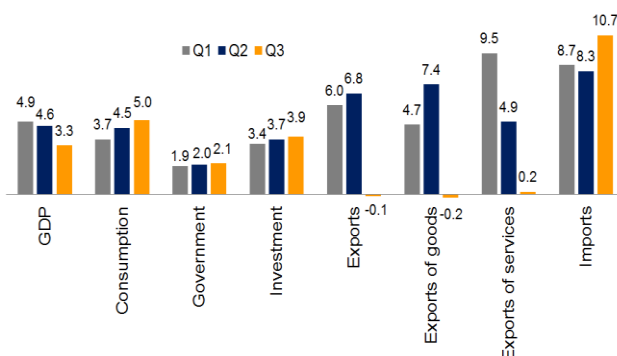


Disappointing Q3 GDP number with worsening external outlook

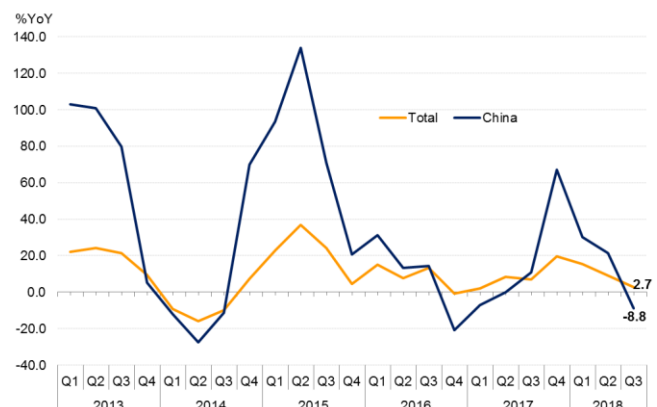
- Q3 GDP growth in Thailand slowed sharply to 3.3% YoY, much weaker than the consensus of 4.2% YoY (Chart 1). This is a result of a combination of weaker external demand and a significant slowdown in tourism.
- The outlook for the Thai economy has worsened considerably since Thai goods exports in September unexpected declined by 5.2% YoY, a complete reversal from an increase of 6% YoY a month earlier. Exports to China plunged by 14.1% – where the fallout from the US-China trade war have started to bite the global trade much earlier than thought.
- Furthermore, the impact of slowing tourism is also weighing on the outlook for the sector, prompting the Thai government to waive the US\$60 visa fee for tourists from 21 countries, including China, between Dec.1 and Jan.31. The number of tourists from China has fallen sharply in recent months — a plunge of 8.8% YoY in Q3 (Chart 2).
- The faltering tourism sector is not only as a consequence of the deadly boat accident in Phuket, but also due to the weakening China's economy. **Therefore, we do not expect a sharp rebound in the number of Chinese tourists in the coming months** — in contrast to recent rapid recoveries.
- Private consumption continued to hold up well, expanding by 5.0% YoY in Q3 compared to 4.5% YoY in Q2 (Chart 1). Spending on durables—especially on cars— expanded solidly by 16.7% YoY in Q3, while spending on non-durables softened. **That said, we expect high household debt to be a drag on private consumption, going forward.**
- **We expect to revise down our 2018 GDP growth forecast from 4.5% based on a much gloomier outlook for external demand.** US-China trade war is likely to be prolonged –lowering our trading partners' GDP materially. The NESDB also revised down the 2018 GDP growth projection to 4.2% from 4.2%-4.7% previously.
- The Bank of Thailand decided to hold the policy at the last MPC meeting, but with the votes splitting 4 to 3 in favour of the status quo. This was largely seen as a precursor to the December 25bp hike. **However, we think the readings on Q3 GDP will make it difficult for the BOT to hike in December given significant downside risks to growth — despite the recent reiterations on financial stability and the need to build “policy space” by the Bank of Thailand**

Chart 1: Thailand GDP (% YoY)



Source: NESDB

Chart 2: Thailand Tourist Arrivals (% YoY)



Source: CEIC

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Table 1: Real GDP - Expenditure Side

%YoY	GDP	Private Consumption (51%)*	Public Consumption (16%)*	Gross Fixed Capital Formation (25%)*	Private Investment (18%)*	Public Investment (7%)*	Exports of Goods & Services (75%)*	Exports of Goods (57%)*	Exports of Services (19%)*	Imports of Goods & Services (65%)*	Imports of Goods (53%)*	Imports of Services (12%)*
Q1 2015	3.0	2.3	1.6	9.9	3.8	33.9	2.5	-0.9	15.6	2.6	4.4	-5.1
Q2 2015	2.9	1.9	1.0	1.2	-4.1	20.0	2.7	-2.4	27.3	0.4	0.4	0.5
Q3 2015	3.3	1.9	2.1	-1.9	-9.1	21.6	4.3	-0.1	23.5	-2.0	-2.1	-1.2
Q4 2015	2.9	3.0	5.3	8.9	1.1	41.8	-2.8	-4.6	3.8	-0.9	-1.5	1.6
Q1 2016	3.4	3.0	8.3	4.9	2.4	12.8	5.1	1.0	18.9	-4.9	-7.4	6.7
Q2 2016	3.6	4.0	2.8	3.3	0.0	12.8	2.3	-1.1	14.8	-1.7	-2.8	2.5
Q3 2016	3.1	2.7	-3.9	1.0	-0.3	4.5	2.0	-0.5	10.7	-1.0	-2.1	4.4
Q4 2016	3.0	2.3	2.9	2.1	-0.1	8.9	1.8	1.6	2.5	3.5	3.2	4.8
Q1 2017	3.4	3.1	-0.7	1.7	-1.1	10.0	2.7	2.8	2.5	5.9	7.3	0.4
Q2 2017	3.9	2.9	0.4	0.3	3.0	-6.9	5.1	4.9	5.7	7.2	9.2	-1.0
Q3 2017	4.3	3.4	1.8	1.2	2.5	-1.6	6.9	8.2	2.6	6.5	9.2	-5.0
Q4 2017	4.0	3.4	0.2	0.3	2.4	-6.0	7.4	6.6	9.9	7.5	8.3	4.0
Q1 2018	4.9	3.7	1.9	3.4	3.1	4.0	6.0	4.7	9.5	8.7	9.3	6.2
Q2 2018	4.6	4.5	2.0	3.7	3.2	4.9	6.8	7.4	4.9	8.3	7.2	13.3
Q3 2018	3.3	5.0	2.1	3.9	3.9	4.2	-0.1	-0.2	0.2	10.7	9.4	16.9
2015	3.0	2.3	2.5	4.3	-2.1	28.4	1.6	-2.0	16.2	0.0	0.2	-1.0
2016	3.3	3.0	2.2	2.8	0.5	9.5	2.8	0.3	11.5	-1.0	-2.3	4.6
2017	3.9	3.2	0.5	0.9	1.7	-1.2	5.5	5.6	5.1	6.8	8.5	-0.3

%QoQ, sa	GDP	Private Consumption (51%)*	Public Consumption (16%)*	Gross Fixed Capital Formation (25%)*	Private Investment (18%)*	Public Investment (7%)*	Exports of Goods & Services (75%)*	Exports of Goods (57%)*	Exports of Services (19%)*	Imports of Goods & Services (65%)*	Imports of Goods (53%)*	Imports of Services (12%)*
Q1 2015	0.4	0.7	-2.8	5.1	-0.3	22.0	-4.9	-4.4	-6.2	0.9	1.6	-2.4
Q2 2015	0.5	0.8	2.3	-1.2	-1.9	0.2	0.7	-0.4	6.1	-1.6	-2.7	4.1
Q3 2015	1.3	1.0	3.6	1.3	-0.7	5.9	0.8	-0.1	3.1	0.4	0.5	-0.5
Q4 2015	0.8	0.8	1.3	3.3	3.9	7.9	0.7	0.0	2.1	-1.4	-1.6	0.3
Q1 2016	0.8	0.5	0.7	0.4	0.6	-4.2	2.4	1.2	6.2	-1.9	-3.1	2.8
Q2 2016	0.7	1.5	-2.5	-1.3	-3.6	4.6	-1.6	-1.9	1.6	1.2	1.6	-0.2
Q3 2016	0.7	-0.2	-2.6	-0.7	-0.3	-1.9	0.7	0.5	0.7	1.3	1.0	1.7
Q4 2016	0.7	0.6	6.8	3.4	2.9	9.5	0.5	1.8	-4.7	2.5	3.3	0.4
Q1 2017	1.2	1.2	-2.4	-0.5	-0.4	-4.0	2.8	2.4	4.7	1.1	1.5	-1.5
Q2 2017	1.2	1.0	-0.9	-1.6	0.9	-8.5	1.0	0.3	4.4	2.1	3.1	-1.6
Q3 2017	1.2	0.5	-0.8	0.5	-0.2	3.1	2.7	3.7	-1.1	0.9	1.2	-2.1
Q4 2017	0.4	0.7	4.1	1.6	1.7	3.2	0.9	0.1	2.3	2.8	2.0	9.7
Q1 2018	2.0	1.4	-0.6	2.5	0.5	5.9	1.2	0.4	3.5	2.7	2.9	0.5
Q2 2018	0.9	1.8	-0.5	-0.7	1.3	-6.3	2.0	3.1	-0.2	1.7	1.0	5.0
Q3 2018	0.0	1.0	-0.6	0.8	0.6	2.4	-4.0	-3.7	-5.0	3.2	3.3	1.1

*Percentage of GDP (2017)

Source : NESDB

Table 2: Real GDP - Production Side

%YoY	GDP	Agriculture	Non Agriculture	Industry		Services								
				Manufacturing	Construction	Wholesale & Retail	Hotel/ Restaurants	Transport/ Storage/ Comm	Financials	Real Estate	Public Admin/ Defence	Education	Health/ Social Work	Social Services
		(6%)*	(94%)*	(28%)*	(3%)*	(15%)*	(6%)*	(10%)*	(7%)*	(8%)*	(5%)*	(3%)*	(2%)*	(2%)*
Q1 2015	3.0	-9.3	4.7	2.7	20.3	4.6	20.4	7.0	10.3	2.4	-1.3	-2.3	1.7	2.2
Q2 2015	2.9	-8.0	3.8	-0.1	15.0	4.7	23.8	8.7	8.8	0.0	0.8	-0.8	1.3	5.0
Q3 2015	3.3	-6.6	3.8	1.9	10.9	3.3	13.3	4.8	6.8	1.1	2.5	1.5	3.6	5.7
Q4 2015	2.9	-2.3	4.0	2.2	24.1	6.4	4.5	1.3	7.8	3.6	0.3	0.8	7.6	4.5
Q1 2016	3.4	-3.9	4.2	0.2	12.6	5.5	12.8	6.6	5.2	3.3	3.9	3.4	4.5	7.9
Q2 2016	3.6	-2.9	4.2	3.7	9.1	4.4	10.1	2.3	7.1	3.6	-0.4	0.8	3.5	9.2
Q3 2016	3.1	-3.6	3.6	2.6	5.9	5.6	12.1	3.8	6.0	2.5	-1.8	-0.8	1.3	10.1
Q4 2016	3.0	-0.4	3.5	2.9	6.9	5.8	4.9	3.7	7.6	3.2	0.3	1.6	-0.1	6.0
Q1 2017	3.4	6.0	3.2	1.9	3.2	5.9	5.1	5.3	4.8	3.8	-0.2	0.1	1.5	6.5
Q2 2017	3.9	15.9	3.0	1.0	-5.7	6.0	7.0	7.8	6.3	4.2	1.4	2.2	3.1	5.8
Q3 2017	4.3	9.7	4.0	4.2	-1.6	6.4	6.9	7.4	4.6	4.7	-0.4	1.2	4.1	5.3
Q4 2017	4.0	-1.3	4.7	3.4	-5.3	6.9	15.3	8.8	3.6	5.8	0.1	1.3	3.8	6.1
Q1 2018	4.9	6.5	4.8	3.8	1.2	7.0	12.8	7.5	3.6	4.9	0.3	1.7	5.0	4.6
Q2 2018	4.6	10.2	4.1	3.2	2.0	7.3	9.4	6.8	4.6	3.5	-0.9	0.0	4.3	4.3
Q3 2018	3.3	4.3	3.3	1.6	4.7	7.2	6.5	6.2	3.0	4.8	-1.0	-1.0	1.6	7.5
2015	3.0	-6.3	4.1	1.7	17.1	4.8	15.0	5.3	8.4	1.8	0.6	-0.2	3.6	4.3
2016	3.3	-2.5	3.8	2.3	8.6	5.3	9.9	4.1	6.5	3.2	0.4	1.2	2.2	8.3
2017	3.9	6.2	3.7	2.6	-2.3	6.3	8.5	7.3	4.8	4.6	0.2	1.2	3.1	5.9

%QoQ, sa	GDP	Agriculture	Non Agriculture	Industry		Services								
				Manufacturing	Construction	Wholesale & Retail	Hotel/ Restaurants	Transport/ Storage/ Comm	Financials	Real Estate	Public Admin/ Defence	Education	Health/ Social Work	Social Services
		(6%)*	(94%)*	(28%)*	(3%)*	(15%)*	(6%)*	(10%)*	(7%)*	(8%)*	(5%)*	(3%)*	(2%)*	(2%)*
Q1 2015	0.4	-2.4	0.7	1.5	11.6	1.1	4.2	-1.8	4.1	-0.2	-3.5	-2.1	1.1	-2.5
Q2 2015	0.5	-1.7	0.7	-1.5	2.5	1.5	2.3	3.5	0.0	-0.5	3.1	1.6	1.0	1.2
Q3 2015	1.3	0.5	1.3	1.5	0.7	0.8	-1.4	-0.4	1.9	1.7	1.6	1.9	2.5	2.1
Q4 2015	0.8	1.2	1.1	0.5	6.5	2.2	1.2	0.6	1.3	2.0	-0.9	-0.8	2.5	3.3
Q1 2016	0.8	-3.6	1.0	0.2	0.6	0.8	9.2	2.2	2.2	-0.1	0.0	0.9	-1.3	1.4
Q2 2016	0.7	-1.9	0.9	1.8	2.1	0.8	0.3	-0.3	1.3	0.3	-1.1	-1.2	-0.1	2.5
Q3 2016	0.7	1.3	0.5	-0.2	-1.9	1.8	1.6	1.4	1.3	0.6	0.5	0.4	0.3	2.0
Q4 2016	0.7	4.0	1.0	0.8	5.2	1.9	-4.6	0.8	2.4	1.9	0.6	1.4	0.7	0.0
Q1 2017	1.2	2.7	0.7	-0.3	-3.5	1.2	7.2	3.0	-0.1	0.9	-0.2	-0.5	0.7	2.1
Q2 2017	1.2	6.4	0.8	0.9	-4.1	1.2	2.6	2.2	2.2	1.1	0.4	0.9	1.3	1.8
Q3 2017	1.2	-3.2	1.5	2.4	1.2	2.1	2.2	1.3	0.3	1.0	-1.0	-0.4	1.4	1.0
Q4 2017	0.4	-6.7	1.5	0.3	0.7	2.1	3.2	2.2	1.1	2.5	0.7	1.2	0.3	1.3
Q1 2018	2.0	11.0	0.8	0.4	2.9	1.4	3.8	1.3	0.1	0.2	0.1	0.0	2.0	0.5
Q2 2018	0.9	9.6	0.3	0.2	-1.8	1.6	-0.2	1.7	3.0	-0.1	-0.8	-0.8	0.6	1.6
Q3 2018	0.0	-8.0	0.6	0.6	2.7	1.9	-0.2	1.0	-1.0	2.2	-0.8	-1.4	-1.2	3.8

*Percentage of GDP (2017)

Source : NESDB

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