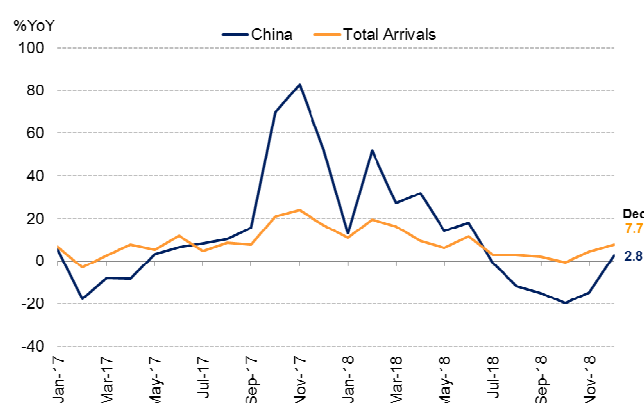


Thailand's Economic Indicators (December and 2018): Rebounding tourism and firming domestic activity

- **Despite larger trade surplus in Dec, the 2018 trade surplus narrowed from 2017.** Although merchandise exports dipped by 1.6% YoY, a 6.7% YoY reduction in goods imports (BOP basis)¹ resulted in a widening of the trade surplus from US\$0.7bn in Nov to \$2.5bn in Dec. Nevertheless, the 2018 trade surplus, which stood at \$23.6bn, was narrower than the \$34.2bn surplus reported for 2017.
- **Tourist arrivals improved further, with a rebound in Chinese arrivals.** Tourist arrivals in Dec totaled 3.8m persons, up 7.7% YoY after a 4.5% YoY increase in Nov. Chinese arrivals were 0.84m, up 2.8% YoY—the first month of YoY growth since Aug. (Figure 1), partly attributable to the visa-on-arrival fee waiver. Therefore, 2018 tourist arrivals totaled 38.3m persons, a rise of 7.5% YoY—in line with the Tourism Authority of Thailand's target and our expectation.
- **2018 Current Account surplus beat our expectation, but was below the consensus.** The rebound in tourism boosted the net services, income, & transfers account from \$1.0bn in Nov to \$2.5bn in Dec, causing the current account surplus to surge from \$1.6bn in Nov to \$5.0bn in Dec. Consequently, the 2018 current account surplus stood at \$37.7bn, above our estimate of \$31.3bn (but below the consensus projection of \$40.2bn). Thailand's current account surplus-to-GDP ratio remained Asia's 3rd largest (Figure 2).
- **Yearly indicators point to firming overall domestic demand.** The Private Consumption Index (PCI) rose by 3.5% YoY in Dec, a slightly slower rate of increase than the 3.8% YoY expansion posted for Nov, as car sales growth eased further. Still, yearly PCI growth increased from 2.2% YoY in 2017 to 4.5% YoY in 2018. Similarly, despite slower growth in Dec, the Private Investment Index (PII) for 2018 rose by 3.0% YoY, up from 1.6% YoY in 2017, driven by heavier sales of construction materials and domestic machinery. Meanwhile, weaker disbursement in 4Q18 meant that 2018 public investment totaled just Bt400.8bn, a rise of only 0.8% YoY.
- **We expect the GDP outturns to be strengthened by external sector improvement.** The latest external balance figures prompted us to upgrade our 2018 GDP growth estimate from 4.1% YoY to 4.3% YoY (more details in our *Thailand's exports and imports (December)* report), which implies 4Q18 GDP growth of 4.3% YoY, up from 3.3% YoY in 3Q18. In 2019, a rebounding tourism sector will be a major driver of growth. That said, persisting air pollution in Bangkok and other municipal areas may possibly weigh on tourist arrivals and private consumption in 1Q19.

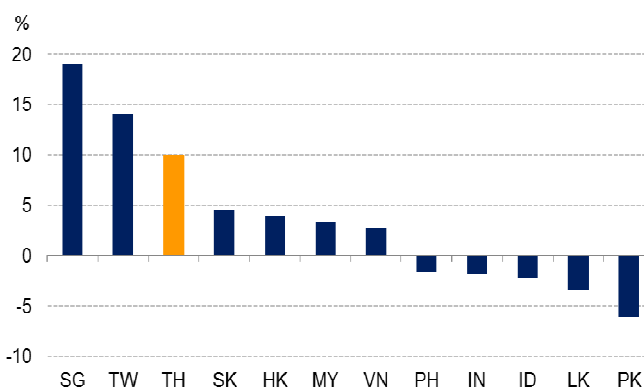
Figure 1: Total tourist arrivals and Chinese tourist arrivals



Source: Ministry of Tourism and Sports

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Figure 2: Current Account-to-GDP ratios (4Q17-3Q18 averages)



Source: CEIC

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¹ The international trade figures released by the Ministry of Commerce are customs basis figures, whereas those released by the Bank of Thailand are of BOP basis, which excludes goods transferred to Thai citizens abroad and transactions associated with shipment.

Figure 3: Monthly Economic Indicators

	2018	2017				2018				November	December
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Private Consumption											
Private Consumption Index (PCI)	125.7	117.3	120.2	120.8	122.8	121.5	125.4	127.6	128.4	138.5	127.0
PCI (% YoY)	4.5	1.9	2.3	1.3	3.2	3.6	4.3	5.7	4.6	3.8	3.5
Imports of consumer goods (% YoY)	12.2	1.7	7.7	7.5	12.9	20.4	13.1	7.1	9.2	9.1	2.2
Motorcycle sales (% YoY)	-1.2	4.4	8.2	0.2	8.2	0.7	-3.7	-2.2	0.5	-4.9	4.4
Passenger car sales (% YoY)	18.7	19.1	11.3	9.5	32.1	14.8	25.1	27.0	9.8	15.3	-0.1
Non-durable index (% YoY)	1.2	0.7	1.0	2.4	0.7	1.2	0.9	-0.1	3.0	3.1	3.1
Semi-durable index (% YoY)	2.9	0.6	0.6	1.0	0.6	2.4	2.5	2.5	3.9	3.5	2.5
Durable index (% YoY)	8.4	8.3	5.4	4.9	12.8	6.3	10.4	10.6	6.8	7.7	2.6
Service index (% YoY)	5.1	5.0	6.3	5.5	11.7	7.3	6.6	4.5	2.3	2.5	0.5
Net tourist spending (% YoY)	-0.6	9.2	13.7	19.7	29.2	8.9	4.8	-10.3	-5.1	-1.3	-5.5
Private Investment											
Private Investment Index (% YoY)	3.0	1.0	1.5	2.0	1.8	2.3	5.4	2.7	2.7	3.1	1.8
One-ton pickup sales (% YoY)	20.6	7.8	0.8	13.2	8.7	10.5	26.8	20.5	24.8	27.5	16.4
Commercial car sales (% YoY)	21.3	13.7	1.9	17.5	6.1	11.8	29.1	16.6	28.1	30.2	19.7
Permitted construction area (9mma) (% YoY)	-2.9	-4.1	0.6	0.4	0.2	1.3	0.2	-3.7	-9.4	-8.4	-12.8
Construction materials index (% YoY)	2.7	-3.3	0.0	2.2	-2.3	-1.8	0.5	4.7	7.9	7.6	2.6
Newly registered motor vehicle for investment (% YoY)	5.7	-3.4	10.3	6.5	11.8	3.0	6.8	6.3	6.9	2.6	11.8
Import of capital goods (% YoY)	2.0	2.7	5.2	4.1	1.8	-0.7	6.7	-0.6	2.7	6.5	-1.2
Import of raw materials (% YoY)	18.8	19.7	14.5	12.4	16.6	18.8	20.2	21.3	14.9	25.8	2.6
Capacity utilisation (%)	68.5	69.6	64.5	67.1	67.4	72.5	66.6	66.4	68.4	69.3	66.9
Capacity utilisation (%) (SA)	-	65.6	66.7	68.5	67.4	68.2	69.2	68.7	69.5	70.4	67.8
MPI (% YoY)	2.8	0.1	0.8	5.0	4.4	4.1	3.7	0.9	2.4	0.9	0.8
Government Expenditure											
Current expenditure ex. subsidies/grants and other (billion baht)	1601.0	376.3	361.5	382.2	427.2	382.6	379.8	409.8	428.8	134.5	132.9
Current expenditure ex. subsidies/grants and other (% YoY)	3.5	0.9	0.1	4.1	1.7	1.7	5.1	7.2	0.4	1.7	4.0
Capital expenditure ex. subsidies/grants and other (billion baht)	400.8	111.7	84.5	100.2	101.2	111.6	91.0	104.6	93.6	27.8	36.9
Capital expenditure ex. subsidies/grants and other (% YoY)	0.8	7.6	-21.7	3.0	-7.6	0.0	7.7	4.4	-7.6	-10.5	-14.2
External Sector											
Exports of goods (BoP, billion USD)	253.4	56.2	56.1	61.8	61.1	63.3	64.2	63.4	62.5	21.3	19.5
Exports (% YoY)	7.7	6.8	7.9	12.8	11.6	12.6	14.4	2.6	2.3	0.2	-1.6
Export vol (% YoY)	4.2	2.9	5.0	9.0	7.0	7.5	9.5	-0.4	0.7	-1.2	-2.3
Imports of goods (BoP, billion USD)	229.8	46.8	49.0	51.2	54.1	55.0	56.7	60.0	58.1	20.7	17.1
Imports (% YoY)	14.3	14.3	12.6	12.4	13.4	17.5	15.8	17.0	7.5	16.2	-6.7
Import vol (% YoY)	8.2	5.8	7.7	8.3	7.2	10.3	8.0	10.2	4.6	13.5	-7.2
Tourist arrivals (million arrivals)	38.3	9.2	8.1	8.8	9.3	10.6	8.9	9.1	9.7	3.2	3.8
Tourist arrivals (% YoY)	7.5	2.1	8.3	6.9	20.2	15.4	9.1	1.9	4.3	4.5	7.7
Tourist revenue (billion baht)	2,003	481.7	395.0	456.1	487.8	573.3	442.6	474.6	512.5	167.4	204.0
Tourist revenue (% YoY)	10.0	5.7	9.8	9.4	21.6	19.0	12.1	4.1	5.1	5.2	0.0
Trade balance (billion USD)	23.6	9.5	7.1	10.6	7.0	8.4	7.4	3.4	4.4	0.7	2.5
Net services, income and transfers (billion USD)	14.1	5.8	0.7	4.3	5.3	8.5	0.8	0.8	4.1	1.0	2.5
Current account (billion USD)	37.7	15.2	7.8	14.9	12.4	16.8	8.2	4.2	8.5	1.6	5.0
Capital account (billion USD)	-0.6	0.0	0.0	0.0	-0.1	-0.6	0.0	0.0	0.0	0.0	0.0
Financial account (billion USD)	-21.6	-5.1	-4.8	2.7	-5.3	-3.7	-9.5	-4.2	-4.3	-0.3	-2.0
Overall balance (billion USD)	7.3	8.2	2.0	12.6	3.2	12.0	-4.3	0.3	-0.7	0.4	-0.2
International reserves (billion USD)	205.6	180.9	185.6	199.3	202.6	215.6	206.8	204.5	205.6	203.2	205.6
Net forward position (billion USD)	33.7	26.6	31.3	31.2	36.7	35.8	34.2	31.9	33.7	32.2	33.7
Labor Market											
Unemployment (%)	1.1	1.2	1.2	1.2	1.1	1.2	1.1	1.0	0.9	1.0	0.9
Farm income (% YoY)	-0.4	19.8	14.0	1.8	-8.2	-1.2	5.8	-1.7	-1.2	-6.0	1.4
Non farm income (% YoY)	-0.4	-0.6	0.4	1.1	0.0	3.5	1.5	1.3	1.0	0.6	1.2
Wage change (% YoY)	1.4	-0.6	-0.2	0.5	0.1	2.3	1.2	1.4	0.6	0.3	0.8
Interest Rate and Currency											
CPI (%)	1.1	1.3	0.1	0.4	0.9	0.6	1.3	1.5	0.8	0.9	0.4
CPI, core (%)	0.7	0.7	0.5	0.5	0.6	0.6	0.8	0.8	0.7	0.7	0.7
Repo rate (%)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.5	1.6
MLR : max (%)	6.6	6.6	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	1.0	1.0
10Y govt bond yield (%)	2.7	2.8	2.6	2.4	2.6	2.6	2.8	2.8	2.6	2.8	2.6
THB/USD (avg)	32.30	35.10	34.30	33.36	32.91	31.54	31.92	32.95	32.81	32.95	32.71

Source: Bank of Thailand

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