

## Thailand's Economic Indicators (May)

### Double-digit export growth and firmer domestic demand

July 2, 2018

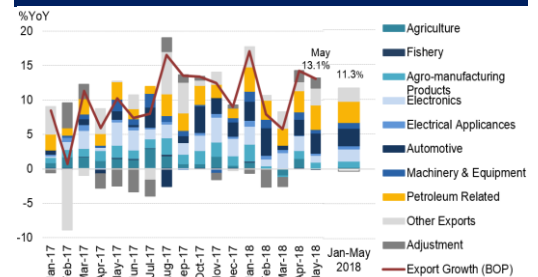
**Key Takeaways:** Thai export growth continued in double digits YoY, but the deficit in the net services, income and transfers account drove the current account surplus to a 42-month low. Exports of goods in May reached a record US\$22.3 billion, expanding by 13.1% YoY (BOP basis) primarily due to rising exports of automotive and petroleum-related products. This pushed the year-to-date growth of goods exports to 11.3% YoY (Exhibit 1). Meanwhile, imports of goods rose by 12.7% YoY (BOP basis), slowing from 25.8% YoY in April, when imports of fuels and raw materials had accelerated. Therefore, the trade surplus widened from US\$0.2 billion in April to US\$ 2.7 billion in May. Nonetheless, the services, income, and transfers account came in at a deficit of US\$1.7 billion, due partly to weaker tourism revenue as a result of one-off factors such as the early arrival of the Ramadan Festival. Consequently, the current account surplus narrowed further from US\$1.4 billion in April to US\$1.0 billion, the lowest in 42 months.

**Domestic demand indicators revealed positive overall readings.** The Private Consumption Index (PCI) rose by 5.6%, mainly on an acceleration in services consumption and passenger car sales. This is in line with the recovery of farm income, which increased by 10.3% YoY in May and 12% from January 2018 due to improving production of sugarcane, rice paddy, and rubber (Exhibit 2). As the same time, the Private Investment Index (PII) grew by 2.4% YoY, decelerating from last month's 5.5% YoY surge (Exhibit 3). However, permitted construction area expanded for the first time in 33 months, in line with the start of the construction of infrastructure projects such as the yellow and pink Skytrain lines. Firmer domestic demand was partly reflected in core inflation, which edged up to 0.8% in May, but buoyant oil prices were still the main drivers that pushed headline inflation up to 1.5%.

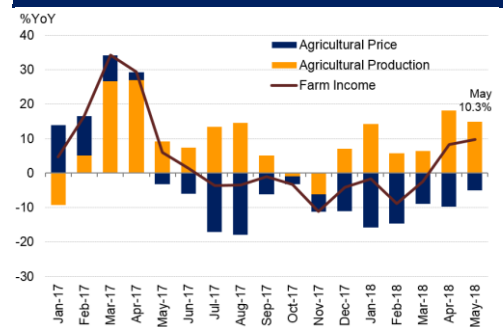
#### Our Assessment

Throughout the first 5 months of the year, exports continued to perform well. Although we view international trade disputes as a risk factor, the potential negative impact remains limited as Thailand's exposure to the supply chains of products subject to the tariffs, such as the automotive and electronics supply chains of China and the EU, accounted for approximately 3% of total exports. Further, Thailand's exports of agricultural products may benefit as substitutes to those subject to the tariffs. On the domestic front, the recovery in farm income, particularly as a result of higher production, together with the increase in the minimum wage will help support households' purchasing power. Nevertheless, we expect the rise in private consumption to be gradual given that the overall level of household debt continued to increase to THB 12.2 trillion.

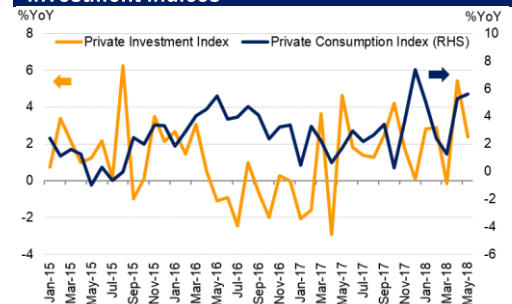
**Exhibit 1: Contributions to Export Growth**



**Exhibit 2: Contributions to Farm Income**



**Exhibit 3: Private Consumption and Private Investment Indices**



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**Exhibit 4: Monthly Economic Indicators**

	2017	2017				2018		
		Q1	Q2	Q3	Q4	Q1	Apr	May
Private Consumption								
Private Consumption Index (PCI)	118.8	115.5	117.7	120.6	121.5	118.8	127.9	122.9
PCI (% YoY)	2.6	1.9	1.7	2.8	3.8	2.8	5.3	5.6
Imports of consumer goods (% YoY)	7.5	1.7	7.7	7.5	12.9	20.3	23.0	9.2
Motorcycle sales (% YoY)	5.2	4.4	8.2	0.2	8.2	0.7	-1.2	-10.8
Passenger car sales (% YoY)	18.1	19.1	11.3	9.5	32.1	14.8	25.2	29.0
Non-durable index (% YoY)	0.5	-0.1	0.3	1.8	0.0	0.5	0.2	0.2
Semi-durable index (% YoY)	0.7	0.6	0.6	1.0	0.6	2.4	4.2	2.9
Durable index (% YoY)	8.0	8.3	5.4	4.9	12.8	6.3	11.2	9.5
Service index (% YoY)	7.1	5.0	6.2	5.4	11.6	7.2	8.0	8.5
Net tourist spending (% YoY)	13.5	7.4	15.2	9.2	23.7	10.6	4.2	1.5
Private Investment								
Private Investment Index (% YoY)	1.3	0.1	1.2	1.7	2.0	1.7	5.4	2.4
One-ton pickup sales (% YoY)	7.7	7.8	0.8	13.2	8.7	10.5	25.7	25.3
Commercial car sales (% YoY)	9.6	13.7	1.9	17.5	6.1	11.8	24.6	27.9
Permitted construction area (9mma) (% YoY)	-6.2	-7.0	-3.9	-5.8	-8.1	-4.8	-1.9	0.2
Construction materials index (% YoY)	-0.9	-3.3	0.0	2.2	-2.3	-1.8	0.0	2.3
Newly registered motor vehicle for investment (% YoY)	5.7	-3.4	10.3	6.5	11.8	3.0	12.1	4.4
Import of capital goods (% YoY)	3.2	-1.1	5.3	4.4	4.1	2.8	10.3	1.5
Import of raw materials (% YoY)	15.7	19.7	14.5	12.4	16.6	19.5	29.3	14.6
Capacity utilisation (%)	67.1	69.6	64.5	67.1	67.4	72.5	60.9	69.9
Capacity utilisation (%) (SA)	-	65.6	66.7	68.5	67.7	68.2	67.7	69.4
MPI (% YoY)	2.5	0.1	0.8	5.0	4.4	4.1	3.1	3.2
Government Expenditure								
Current expenditure ex. subsidies/grants and other (billion baht)	1547.9	376.4	361.7	382.3	427.6	382.9	122.0	132.6
Current expenditure ex. subsidies/grants and other (% YoY)	1.7	0.9	0.2	4.2	1.7	1.7	3.3	11.8
Capital expenditure ex. subsidies/grants and other (billion baht)	397.7	111.7	84.5	100.2	101.2	111.6	25.9	29.6
Capital expenditure ex. subsidies/grants and other (% YoY)	-5.0	7.6	-21.7	3.0	-7.6	0.0	15.9	2.1
External Sector								
Exports of goods (BoP, billion USD)	235.3	56.2	56.1	61.8	61.1	61.8	18.9	22.3
Exports (% YoY)	9.8	6.8	7.9	12.8	11.6	9.9	14.2	13.1
Export volume(% YoY)	6.0	2.9	5.0	9.0	7.0	4.9	9.1	8.1
Imports of goods (BoP, billion USD)	201.1	46.8	49.0	51.2	54.1	55.2	18.7	19.6
Imports (% YoY)	13.2	14.3	12.6	12.4	13.4	17.9	25.8	12.7
Import volume (% YoY)	7.2	5.8	7.7	8.3	7.2	10.7	18.3	5.0
Tourist arrivals (million arrivals)	35.4	9.2	8.1	8.8	9.3	10.6	3.1	2.8
Tourist arrivals (% YoY)	8.8	2.1	8.3	6.4	19.5	15.4	9.4	6.4
Tourist revenue (billion baht)	1824.0	481.7	395.0	453.4	494.0	573.3	157.4	136.7
Tourist revenue (% YoY)	11.7	5.7	9.8	8.8	23.2	19.0	12.5	9.0
Trade balance (billion USD)	34.2	8.8	6.4	10.1	7.0	6.6	0.2	2.7
Net services, income and transfers (billion USD)	16.9	6.2	1.4	3.8	5.4	8.3	1.1	-1.7
Current account (billion USD)	51.1	15.0	7.8	13.9	12.5	15.0	1.4	1.0
Capital account (billion USD)	-0.1	0.0	0.0	0.0	-0.1	-0.6	0.0	0.0
Financial account (billion USD)	-19.1	-7.0	-5.7	0.5	-6.9	-2.8	-0.1	0.1
Overall balance (billion USD)	26.0	8.2	2.0	12.6	3.2	12.0	0.9	0.1
International reserves (billion USD)	194.0	172.7	177.3	190.9	194.0	206.9	206.6	204.1
Net forward position (billion USD)	36.7	26.6	31.3	31.2	36.7	35.8	34.2	33.4
Labor Market								
Unemployment (%)	1.2	1.2	1.2	1.2	1.1	1.2	1.1	1.0
Farm income (% YoY)	2.7	15.9	13.9	-3.1	-6.8	-4.5	8.7	10.3
Non farm income (% YoY)	0.2	-0.6	0.4	1.1	0.0	3.5	4.1	-0.1
Wage chg (% YoY)	-0.1	-0.6	-0.2	0.5	0.1	2.3	3.1	0.1
Interest Rate and Currency								
CPI (%)	0.7	1.3	0.1	0.4	0.9	0.6	1.1	1.5
CPI, core (%)	0.6	0.7	0.5	0.5	0.6	0.6	0.6	0.8
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	2.81	2.57	2.41	2.58	2.56	2.6	2.8
THB/USD (avg)	33.92	35.10	34.30	33.36	32.91	31.54	31.31	31.96

Source: Bank of Thailand, CEIC, Fiscal Policy Office

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