Thailand's February Indicators

Continuing External Tailwinds

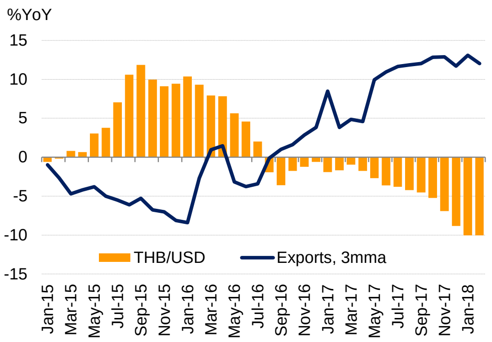
April 2, 2018

Thailand's February 2018 economic indicators

Key Takeaways: The Thai economy continued to grow on the back of robust external demand. Goods exports rose for a 16th consecutive month in February at 7.7%YoY (BOP basis), notwithstanding pressures from a strong baht (Exhibit 1). Imports of goods, on the other hand, rose by 21.8%YoY (BOP basis), due primarily to higher demand for raw materials. As a result, February's trade surplus hit USD2.3billion, up from January's USD1.3 billion. On top of this, tourist arrivals registered at a record-high 3.57 million – partly attributed to the Chinese New Year festival -- causing tourism revenue to grow at 23.8%YoY. Consequently, the current account widened to USD6.2 billion, the largest in 6 months. Meanwhile, domestic demand recovered mildly, with the PCI and PII edging up by 2.5%YoY and 3.1%YoY, respectively (Exhibits 2 and 4). However, purchasing power remained depressed, particularly for the lower income bracket, with farm income continuing to decline by 7.4%YoY as agricultural prices failed to rebound.

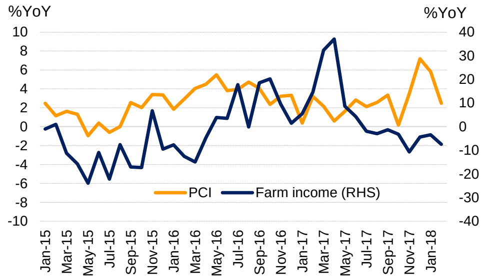
The Bank of Thailand remained on hold despite the upward revision of their 2018 GDP forecast. Although the economy is expected to grow at a stronger pace (Exhibit 3), the majority of the Monetary Policy Committee held the view that inflation is still subdued while the impact of economic growth has yet to be translated into broad-based growth in household revenue. Still, there was one vote for a 25-bp increase, based on concerns that a prolonged period of low rates would result in risk underpricing by the market.

Exhibit 1: Thai Exports and Exchange Rate



Sources: Bank of Thailand, CEIC

Exhibit 2: Private Consumption Indicators



Source: Bank of Thailand, Office of Agricultural Economics

Our Thoughts

We expect sustained export momentum throughout 2018, but at a more moderate pace as global demand stabilizes. Downside risks from tariffs levied by the US and its trading partners as well as geopolitical tensions warrant close monitoring. Nevertheless, in our baseline scenario, the net impact will be manageable, with magnitude and direction varying by industry (more details in Trade skirmishes – not a full-scale war of March 26). A more pressing issue is the dissipation of exporters' profits, which despite healthy-looking export volume, may dampen the anticipated spillover from exports to private investment.

Going forward, we maintain our view that the Bank of Thailand will be on hold throughout 2018, as the narrow-based recovery in domestic demand remains the primary concern of the Monetary Policy Committee. Further, the continued widening of the current account supports our argument that keeping the policy rate unchanged will help to ease appreciation pressure on the baht (more details in Thailand's 2017 GDP of February 19). Finally, the low interest rate environment will be accommodative for infrastructure investment, which is expected to accelerate since the second half of this year.

Exhibit 3: BOT's Revised Numbers

		2018E			
		BOT (Dec17)	BOT (Mar18)	BBL	Consensus
Real GDP growth	%YoY	3.9	▲4.1	4.2	4.0
Private consumption	%YoY	3.1	▲3.3	3.2	3.3
Private investment	%YoY	2.3	▲3	3	3.5
Public consumption	%YoY	9	▲9.5	2.5	2.8
Public investment	%YoY	3.2	▼2.9	9	10.4
Exports of goods (USD)	%YoY	4	▲7	4.5	5.6
Imports of goods (USD)	%YoY	7.5	▲11.5	9	8.5
Current account	USD billion	43.1	▼42.2	38	39.7
CPI (period average)	%YoY	1.1	▼1	1.7	1.4
Policy rate	%	n.a.	n.a.	1.5	1.6

Source: Bank of Thailand, Bloomberg

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Exhibit 4: Monthly Economic Indicators

	2017	2017										2018	
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Private Consumption													
Private Consumption Index (PCI)	118.8	126.0	121.4	116.3	115.2	117.3	120.3	124.2	109.5	131.3	123.3	119.5	110.2
PCI (% YoY)	2.5	2.1	0.6	1.6	2.8	2.1	2.6	3.3	0.2	3.5	7.2	5.8	2.5
Imports of consumer goods (% YoY)	7.3	1.7	0.7	17.0	5.6	6.9	9.0	6.7	12.8	14.7	11.0	38.6	18.4
Motorcycles sales (% YoY)	5.2	5.7	22.2	14.0	-4.7	8.1	-5.2	-0.8	7.4	11.5	5.5	5.3	-3.4
Passenger cars sales (% YoY)	23.7	40.9	23.2	4.4	15.6	10.0	8.5	14.9	24.3	34.9	40.7	27.3	10.9
Non-durable index (% YoY)	0.5	1.2	-0.9	-0.7	2.3	1.0	1.2	3.2	0.5	0.6	-0.9	-0.1	0.2
Semi-durable index (% YoY)	0.7	1.3	-1.4	1.6	1.5	0.6	2.0	0.7	0.2	1.1	0.5	5.1	4.3
Durable index (% YoY)	7.9	8.6	10.5	3.5	3.2	4.5	1.6	8.0	9.6	13.8	14.0	9.8	4.0
Service index (% YoY)	6.9	3.9	4.9	6.0	7.6	4.5	5.8	5.6	7.5	11.0	15.0	9.8	8.6
Net tourist spending (% YoY)	13.5	7.6	15.6	11.8	18.2	7.1	8.9	12.5	33.8	32.3	11.5	5.2	15.2
Consumer confidence index	76.0	76.8	77	76	74.9	73.9	74.5	75	76.7	78	79.2	80	79.3
Consumer confidence index (% YoY)	3.7	4.5	5.9	4.7	4.6	1.9	1.8	1.1	4.9	7.9	7.5	7.4	4.6
Private Investment													
Private Investment Index (% YoY)	1.1	-0.7	-0.4	-0.1	-0.9	0.7	0.6	1.4	1.4	1.4	0.3	2.5	3.1
One Ton Pickup (% YoY)	7.7	7.8	10.8	-3.7	-3.2	5.4	10.1	23.8	6.7	11.0	8.4	7.1	7.9
Commercial car sales (% YoY)	7.6	5.4	10.1	-1.7	-0.5	5.8	5.8	27.8	6.1	12.5	9.5	10.1	9.7
Permitted construction area (9mma)	-6.2	-6.2	-3.3	-3.8	-4.5	-6.3	-5.5	-5.7	-8.1	-7.9	-8.2	-5.5	-5.5
Domestic cement sales (% YoY)	-3.2	-4.3	-4.9	-10.6	-3.8	-3.6	2.7	2.8	-5.4	1.1	-4.7	-3.4	-2.5
Domestic concrete sales	-1.3	-1.1	-6.6	-9.6	1.9	0.5	2.3	4.6	-6.8	3.8	-5.9	2.1	1.0
Domestic tile sales	-7.4	-10.5	-16.3	-13.2	-3.0	-7.5	-10.1	-2.0	-14.8	3.0	-3.2	14.1	3.8
Domestic commercial car sales	7.6	5.4	10.1	-1.7	-0.5	5.8	5.8	27.8	6.1	12.5	9.5	10.1	9.7
Domestic machinery sales (2010 prices)	1.0	8.5	-6.8	1.5	1.7	1.1	-0.7	2.8	-0.9	-0.7	5.1	0.6	5.2
Import capital goods (% YoY)	8.6	8.7	12.1	17.6	9.4	10.2	4.6	10.9	3.2	10.0	4.9	24.1	0.1
Import raw materials (% YoY)	16.9	28.6	16.5	19.6	12.2	13.7	18.6	7.5	21.9	14.6	15.8	29.9	18.9
Factories invest value permit (billion baht)	319.5	17.9	12.6	36.2	27.5	24.9	12.8	23.9	83.3	20.4	27.8	15.3	13.7
Factories invest value permit (% YoY)	4.1	-20.9	-69.7	150.0	47.9	23.8	-57.8	-5.2	350.4	-1.5	-49.8	-16.9	0.1
Business Sentiment Index (BSI)	50.9	52.6	49.6	52.3	50.7	50.3	50.7	52.2	50.6	51.3	50.2	52.5	51.4
BSI (% YoY)	2.7	2.1	-0.4	5.2	0.6	1.8	6.1	3.8	2.8	3.6	-0.2	4.8	3.2
BSI order book	50.9	53.9	49.7	53.1	49.5	49.6	50.1	52.2	50.2	52.1	49.3	53.7	52.5
BSI order book, expected	57.2	57.8	57.8	55.4	55.6	55.9	56.3	57.1	56.1	54.9	58.3	57.7	59.6
BSI production, expected	59.3	58.8	59.8	58.7	57.9	57.2	59.1	59.5	59.2	58.7	60.6	61.9	63.6
Capacity utilization (% sa)	-	66.3	65.9	67.5	66.9	67.1	69.6	68.8	65.7	68.7	68.6	67.8	68.2
MPI (% YoY)	2.5	0.9	-1.6	3.0	1.0	4.0	5.6	5.3	1.0	6.3	5.8	4.7	4.7
MPI (% YoY sa)	-	0.9	-1.4	2.4	1.3	4.1	5.2	5.5	-1.8	6.7	6.1	4.0	5.2
Government Expenditure													
Current expenditure ex. subsidies/grants and other (billion baht)	1546.6	135.3	118.1	118.6	124.9	119.1	127.6	135.6	166.0	132.4	127.9	125.1	116.7
Current expenditure ex. subsidies/grants and other (% YoY)	1.8	-4.6	-3.7	3.0	1.4	5.9	13.3	-4.4	2.8	4.0	-1.4	-2.3	3.2
Capital expenditure ex. subsidies/grants and other (billion baht)	397.7	54.0	22.3	29.0	33.2	23.4	26.7	50.2	27.2	31.0	43.0	31.0	34.7
Capital expenditure ex. subsidies/grants and other (% YoY)	-5.0	11.9	-19.7	-18.3	-25.7	6.4	-9.8	9.5	15.1	25.8	-29.8	17.6	10.7
External Sector													
Exports of goods (BoP, billion USD)	235.1	20.8	16.5	19.7	19.8	18.7	21.0	21.9	20.0	21.2	19.9	19.9	19.8
Export (% YoY)	9.7	10.7	5.6	10.2	7.6	8.0	15.8	13.4	13.4	12.3	9.3	16.7	7.7
Export vol (% YoY)	5.9	7.1	2.2	7.4	5.1	5.3	11.8	8.8	9.0	7.4	4.7	11.3	3.1
Imports of goods (BoP, billion USD)	203.2	17.8	15.2	17.6	16.9	17.4	17.6	16.5	18.4	17.9	18.4	18.6	17.5
Import (% YoY)	14.4	22.4	11.3	18.2	12.8	18.3	14.3	6.5	16.6	11.9	15.4	22.5	21.8
Import vol (% YoY)	8.4	14.4	4.8	13.1	9.6	14.5	10.3	2.0	11.6	5.2	8.3	14.8	14.7
Tourist arrival (million arrivals)	35.4	3.0	2.8	2.6	2.7	3.1	3.1	2.6	2.7	3.0	3.5	3.5	3.6
Tourist arrival (% YoY)	8.8	2.8	7.6	5.3	11.9	4.7	8.7	5.7	20.9	23.2	15.5	10.9	19.3
Tourist revenue (billion baht)	1824.0	154.7	139.9	125.4	129.6	156.4	163.5	133.5	142.6	159.5	191.8	188.9	195.3
Tourist revenue (% YoY)	11.7	7.0	8.1	7.4	14.1	3.3	11.7	12.0	24.4	24.8	21.0	11.6	23.8
Trade balance (billion USD)	31.9	2.9	1.3	2.2	2.9	1.3	3.4	5.4	1.6	3.3	1.5	1.3	2.3
Net services, income and transfers (billion USD)	16.3	0.8	1.4	-1.2	1.2	1.5	1.4	0.9	1.5	1.5	1.9	3.9	3.9
Current account (billion USD)	48.1	3.7	2.7	1.0	4.2	2.8	4.8	6.3	3.1	4.8	3.4	5.2	6.2
Capital account (billion USD)	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.6
Financial account (billion USD)	-18.2	-7.5	-1.4	-1.9	-2.5	0.2	2.0	-1.7	-0.1	-1.0	-4.9	5.0	-3.3
Overall balance (billion USD)	26.0	-3.4	1.7	-1.6	2.0	2.3	5.7	4.6	2.1	2.3	-1.2	9.0	0.0
International reserves (billion USD)	194.0	172.7	176.2	175.8	177.3	182.0	188.3	190.9	192.2	194.7	194.0	205.9	204.1
Net forward position (billion USD)	36.7	26.6	27.4	30.8	31.3	30.8	30.9	31.2	30.3	33.0	36.7	34.8	36.1
Labor Market													
Unemployment (%)	1.2	1.3	1.3	1.3	1.1	1.2	1.1	1.2	1.3	1.1	1.0	1.3	1.3
Farm income (% YoY)	3.0	32.4	37.0	8.6	4.3	-1.9	-3.0	-1.3	-3.2	-10.7	-4.4	-3.4	-7.4
Non farm income (% YoY)	0.2	-0.6	0.3	-1.5	2.7	-1.6	1.9	2.4	-2.6	2.2	0.5	4.1	3.2
Wage chg (% YoY)	-0.1	-0.8	-0.4	-2.4	2.4	-1.9	1.4	1.6	-1.9	2.2	0.1	2.6	2.5
Interest Rate and Currency													
CPI (%)	0.67	0.76	0.38	-0.04	-0.05	0.17	0.32	0.86	0.86	0.99	0.78	0.68	0.42
CPI, core (%)	0.55	0.62	0.50	0.46	0.45	0.48	0.46	0.53	0.58	0.61	0.62	0.58	0.63
Repo rate (%)	1.5	1.5	1.5	1.5	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	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	1.0	1.0
10Y govt bond yield (%)	2.6	2.8	2.7	2.8	2.6	2.6	2.5	2.4	2.4	2.5	2.6	2.5	2.6
THB/USD (avg)	33.92	34.88	34.45	34.46	33.99	33.71	33.25	33.14	33.22	32.89	32.62	31.87	31.49

Source: Bank of Thailand, CEIC, Office of Agricultural Economics, Ministry of Finance, Fiscal Policy Office

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80 – 89		Very Good
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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.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.
NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
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