

Thailand's January Indicators

Signs of domestic recovery with external momentum

March 2, 2018

Thailand's January 2018 economic indicators reflect sustained momentum from the external sector and signs of recovery in the domestic private sector. Going forward, we project stronger growth with firmer domestic activity.

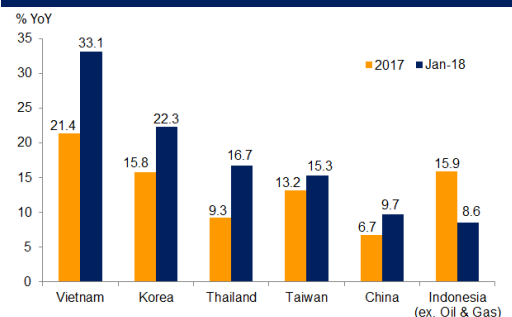
Key Takeaways: Tailwinds from global demand continued to bolster exports of Thailand and other Asian countries. Goods export growth in January 2018 rose to a 62-month high of 16.7%YoY (BOP basis) with stronger growth in most export items, outperforming those of peers such as Taiwan and Indonesia (Exhibit 1). Meanwhile, imports surged by 22.5%YoY—the highest in 60 months—primarily due to rising imports of raw materials and capital goods (Exhibit 2). Consequently, the country recorded a smaller trade surplus (BOP basis) of USD1.3 billion¹. Nevertheless, with robust growth (11.6%YoY) in tourism revenue, the current account in January registered a USD5.2 billion surplus, widening from a USD3.9 billion surplus in December 2017.

Higher imports largely reflected an increase in production—particularly in export-oriented sectors such as automotives, petrochemicals, and electronics—as well as higher domestic demand for non-durables and car sales. The Private Investment Index (PII) edged up 1.2%YoY, continuing its rebound since July 2017, while the Private Consumption Index (PCI) rose by 6.1%YoY, gathering pace since 4Q17 (Exhibit 3).

Our Assessment: The January economic indicators suggest sustained momentum from 4Q17, with both exports and consumption surprising on the upside. Nevertheless, we expect goods export growth to decelerate as global growth stabilizes, with downside risk from the baht's prolonged strength. In the meantime, we expect slower import growth as the low base effect will gradually dissipate from 3Q18. Overall, we maintain our projection of a smaller trade surplus for the full year of 2018, in combination with solid exports of services, and therefore a more moderate current account surplus of USD38 billion.

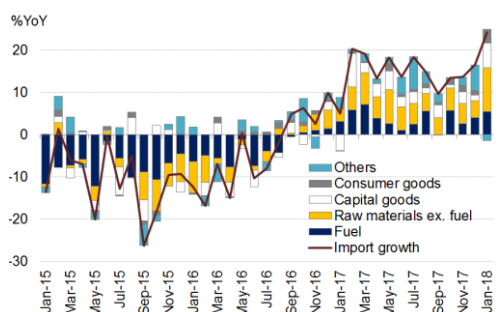
Going forward, we expect slightly firmer domestic demand. Despite the better-than-expected PCI print, a continued decline in farm income will limit the extent of consumption recovery, particularly in the lower income brackets. Hence, providing support for the grassroots will be one of the government's top priorities for the remainder of its term, as evidenced by the recent THB20 billion additional budget request for village funds across the country. Further, public investment programmes are expected to gather pace in the coming months as disbursements for infrastructure projects have started to accelerate from the disappointing past few quarters, and there are upside risks stemming from the imminent approval of the EEC Act and the related high-speed rail project linking the three main airports.

Exhibit 1: Exports of Asian Countries



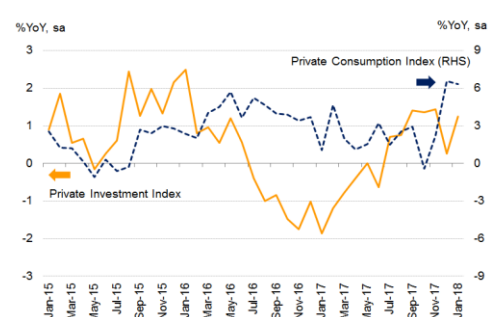
Source: CEIC

Exhibit 2: Contribution to Import Growth



Source: Bank of Thailand

Exhibit 3: Private Sector Indicators



Sources: Bank of Thailand, CEIC

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Exhibit 4: Monthly Economic Indicators

	2017	Jan	Feb	Mar	Apr	May	2017						2018	
							Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Private Consumption														
Private Consumption Idx (PCI)	121.2	113.5	108.8	126.5	125.8	119.6	116.6	120.3	123.0	126.2	115.2	121.3	138.2	120.4
PCI (% YoY)	2.3	0.6	3.6	1.9	0.9	1.6	3.0	1.5	2.4	2.8	-0.6	2.3	7.5	6.1
Passenger cars sales (% YoY)	23.7	23.5	49.8	40.9	23.2	4.4	15.6	10.0	8.5	14.9	24.3	34.9	40.7	27.3
Imports of consumer goods (% YoY)	7.3	-1.9	2.6	1.7	0.7	17.0	5.6	6.9	9.0	6.7	12.8	14.7	11.0	38.6
Private Investment														
Private Investment Idx (PII, sa)	124.4	124.6	124.2	123.9	123.8	124.3	123.3	123.9	123.8	124.9	125.3	125.7	125.7	126.1
PII (sa, % YoY)	0.1	-1.9	-1.2	-0.8	-0.4	0.0	-0.6	0.7	0.8	1.4	1.4	1.4	0.3	1.2
Pick-up car sales (% YoY)	7.7	5.6	9.8	7.8	10.8	-3.7	-3.2	5.4	10.1	23.8	6.7	11.0	8.4	7.1
Imports of capital goods (% YoY)	8.6	-12.7	28.5	8.7	12.1	17.6	9.4	10.2	4.6	10.9	3.2	10.0	4.9	24.1
Imports of raw materials (% YoY)	16.9	12.4	22.2	28.6	16.5	19.6	12.2	13.7	18.6	7.5	21.9	14.6	15.8	29.9
Government Expenditure														
Current expenditure (billion baht)	2332.5	211.1	113.8	153.0	188.3	171.2	181.8	227.0	126.5	149.2	381.7	202.1	226.8	200.4
Current expenditure (% YoY)	3.3	-4.4	4.5	-14.7	1.1	22.6	-14.0	47.5	6.5	-4.0	-3.3	59.5	-13.6	-5.1
Capital expenditure (billion baht)	375.8	18.7	29.0	51.2	21.9	30.8	30.8	24.7	31.5	50.0	32.2	19.1	35.8	26.5
Capital expenditure (% YoY)	-3.4	-7.2	-2.8	13.1	-13.2	-16.5	-21.7	11.2	3.5	5.4	17.0	-12.1	-16.4	41.6
External Sector														
Exports of goods (BoP, billion USD)	235.1	17.1	18.4	20.8	16.5	19.7	19.8	18.7	21.0	21.9	20.0	21.2	19.9	19.9
Exports of goods (% YoY)	9.7	8.8	0.9	10.7	5.6	10.2	7.6	8.0	15.8	13.4	13.4	12.3	9.3	16.7
Imports of goods (BoP, billion USD)	203.2	15.2	14.4	17.8	15.2	17.6	16.9	17.4	17.6	16.5	18.4	17.9	18.4	18.6
Imports of goods (% YoY)	14.4	11.2	13.4	22.4	11.3	18.2	12.8	18.3	14.3	6.5	16.6	11.9	15.4	22.5
Tourist revenue (billion baht)	1824.0	169.3	157.8	154.7	139.9	125.4	129.6	156.4	163.5	133.5	142.6	159.5	191.8	188.9
Tourist revenue (% YoY)	11.7	9.3	0.8	7.0	7.6	6.9	12.1	6.2	11.7	12.0	24.4	24.8	21.0	11.6
Trade balance (BoP, billion USD)	31.9	1.9	4.0	2.9	1.3	2.2	2.9	1.3	3.4	5.4	1.6	3.3	1.5	1.3
Current account balance (billion USD)	49.3	5.3	6.0	3.7	2.7	1.0	4.2	2.8	4.7	6.3	3.5	5.3	3.9	5.2

Sources: Bank of Thailand, CEIC, Fiscal Policy Office

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