

Thailand's 1Q18 GDP

Growth at a five-year-high

Key Takeaways: Thailand's 1Q18 GDP growth came in at 4.8% YoY, beating the market consensus of 4.0% YoY (Exhibit 1) and hitting a five-year high on the back of rising exports, firming private consumption and improved investment.

The Thai economy continued to benefit from strong external momentum – leading to 6.0% YoY growth in exports of goods and services, albeit slowing from 7.4% YoY in 4Q17. On the other hand, merchandise imports rose by 9.3% YoY due to higher imports of capital goods and raw materials—reflecting increased production activity in response to solid external and domestic demand. (More details on the external sector were covered in [Thailand's Goods Exports-Surprises on the Upside](#) of April 30 and [Thailand's March Indicators-Largely External Demand-Driven](#) of May 2.)

First-quarter data provide further indications of a solid recovery in domestic demand. Private consumption grew by 3.6% YoY in 1Q18, higher than 3.4% YoY in 4Q17, with rising spending on both durables and nondurables. Private investment grew by 3.1% YoY in 1Q18, accelerating from 2.4% in 4Q17 following higher investment in machinery and commercial vehicles, together with a recovery in construction in rural areas. Meanwhile, public consumption rose by 1.9% YoY, and public investment increased by 4.0% YoY, recovering from three consecutive quarters of contraction. This may, in part, be the result of a reduction in delays in government disbursements related to the new Procurement Act.

On the production side, growth continued to be driven by exports and tourism. Manufacturing production grew by 3.7% YoY in 1Q18 – as indicated by rising capacity utilisation in sectors such as integrated circuits and semiconductors, automotive and petroleum (Exhibit 3). Meanwhile, the services sector continued to grow with support from robust tourism. For 1Q18, the following sectors saw strong expansions: the wholesale and retail sector by 7.0% YoY, the hotel and restaurant sector by 12.8% YoY, and the transport sector by 7.1%YoY.

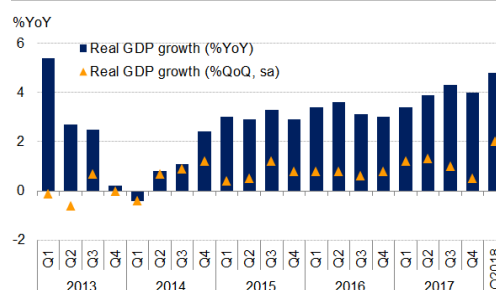
Agricultural production in 1Q18 rebounded with an increase of 6.5% YoY, after contracting by 1.3% YoY in 4Q17, as a result of favourable weather conditions (Exhibit 5).

Our Assessment

Going forward, there are upside risks to our GDP growth forecast from the strong external sector and better domestic economic conditions. In addition, stronger production activity led to growing inventories, whose contribution to the first quarter GDP growth was 2.9% YoY (Exhibit 2). Further, we see stronger support from public investment in the latter half of 2018 as public disbursements rebound from delays experienced during the past few quarters. However, subdued farm prices, particularly for rubber and livestock, continue to weigh on farm incomes and private consumption.

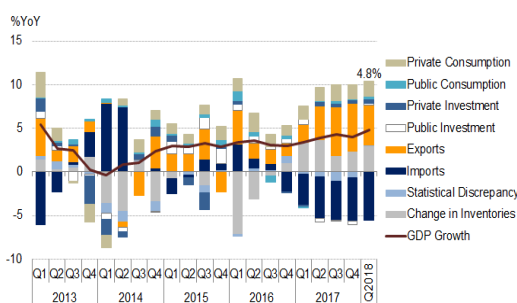
May 21, 2018

Exhibit 1: Real GDP Growth



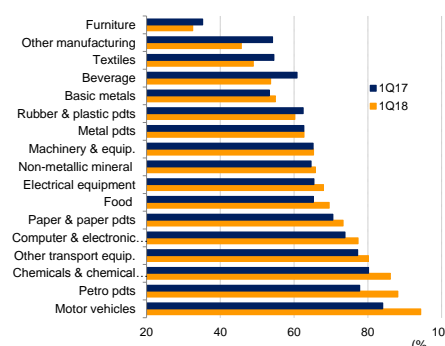
Source: NESDB, CEIC

Exhibit 2: Contribution to GDP Growth



Source: NESDB

Exhibit 3: Capacity Utilisation Rate



Source: Office of Industrial Economics

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GDP and its Composition

Exhibit 4: 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	4.8	3.6	1.9	3.4	3.1	4.0	6.0	4.7	9.4	9.0	9.3	7.8
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	0.6	-2.6	5.2	-0.4	23.6	-5.0	-4.5	-5.6	0.9	1.6	-2.3
Q2 2015	0.5	0.9	2.2	-1.3	-1.9	-1.3	0.9	-0.2	5.9	-1.6	-2.8	4.1
Q3 2015	1.2	0.9	3.4	1.1	-0.8	5.8	0.6	-0.2	2.6	0.5	0.5	-0.7
Q4 2015	0.8	0.8	1.4	3.6	4.1	8.4	0.8	0.1	2.0	-1.3	-1.6	0.5
Q1 2016	0.8	0.5	1.0	0.6	0.5	-2.5	2.3	1.0	7.0	-1.9	-3.0	2.8
Q2 2016	0.8	1.6	-2.7	-1.6	-3.6	2.1	-1.3	-1.6	1.7	1.1	1.4	0.0
Q3 2016	0.6	-0.3	-2.9	-0.9	-0.5	-1.8	0.2	0.1	-0.3	1.3	1.1	1.3
Q4 2016	0.8	0.6	7.1	3.9	3.2	10.5	0.7	2.0	-4.7	2.6	3.3	0.8
Q1 2017	1.2	1.2	-2.0	-0.2	-0.5	-2.1	2.7	2.0	5.5	1.1	1.6	-1.6
Q2 2017	1.3	1.3	-1.3	-2.1	0.9	-11.6	1.5	0.9	5.0	1.9	2.7	-1.3
Q3 2017	1.0	0.2	-1.4	0.2	-0.6	3.5	1.9	3.1	-2.7	1.1	1.5	-2.7
Q4 2017	0.5	0.8	4.7	2.3	2.3	4.6	1.2	0.5	2.5	3.0	2.0	10.2
Q1 2018	2.0	1.3	-0.1	2.8	0.4	7.9	1.0	0.0	4.2	3.0	3.0	1.8

* percentage of GDP (2017)

Source: NESDB

GDP and its Composition

Exhibit 5: 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	4.8	6.5	4.7	3.7	1.2	7.0	12.8	7.1	3.5	4.5	0.3	1.7	5.0	4.7
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	-2.3	0.7	1.5	11.4	1.1	4.2	-1.7	4.0	-0.2	-3.5	-2.1	1.1	-2.4
Q2 2015	0.5	-1.2	0.7	-1.6	2.5	1.5	2.6	3.5	0.6	-0.6	3.1	1.5	1.0	1.2
Q3 2015	1.2	0.0	1.3	1.6	0.4	0.9	-1.5	-0.4	1.5	1.7	1.6	1.9	2.5	2.1
Q4 2015	0.8	0.9	1.1	0.5	7.0	2.2	0.9	0.5	1.2	2.1	-0.8	-0.8	2.5	3.3
Q1 2016	0.8	-3.3	1.1	0.2	0.8	0.8	9.4	2.3	1.9	0.0	0.1	0.9	-1.3	1.5
Q2 2016	0.8	-1.1	0.7	1.6	1.5	0.7	0.7	-0.2	2.3	0.0	-1.2	-1.3	0.0	2.5
Q3 2016	0.6	0.3	0.6	0.1	-1.9	2.0	1.2	1.3	0.7	0.7	0.4	0.3	0.1	2.1
Q4 2016	0.8	3.7	1.0	0.8	5.7	1.9	-4.9	0.7	2.3	2.1	0.7	1.5	0.8	-0.2
Q1 2017	1.2	3.2	0.8	-0.3	-2.9	1.2	7.7	3.1	-0.5	0.9	-0.1	-0.4	0.7	2.1
Q2 2017	1.3	7.7	0.6	0.6	-5.6	1.0	2.9	2.5	3.6	0.7	0.4	0.7	1.5	1.6
Q3 2017	1.0	-4.6	1.5	2.9	1.9	2.3	1.5	1.0	-0.7	1.1	-1.2	-0.6	1.0	1.4
Q4 2017	0.5	-7.0	1.6	0.1	0.9	2.1	2.9	2.2	1.2	2.8	0.9	1.5	0.5	0.9
Q1 2018	2.0	11.6	0.8	0.3	3.9	1.5	4.5	1.2	-0.4	-0.1	0.3	0.1	2.0	0.6

*percentage of GDP (2017)

Source: NESDB

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Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 00359		Pass
Below 50	No logo given	N/A

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- companies **certified** by CAC.

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STOCK RECOMMENDATIONS

BUY: Expected positive total returns of 15% or more over the next 12 months.

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.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.