

Q2 2019 GDP growth slowed to the lowest level since Q4 2014, with weak outlook ahead

- **Q2 2019 GDP growth came in at 2.3% YoY, slowing from 2.8% YoY in Q1 2019 – the slowest in almost five years (Chart 1).** The weak global outlook, a drag on exports and tourism, will likely weigh on GDP growth over the last two quarters of 2019. Further, the severe drought in Thailand will put pressure on farm income, thereby hurting private consumption going forward. Government fiscal stimulus, once finalized, should offer a limited boost to growth.
- **The slowdown in Q2 was broad-based (Chart 2).** Private consumption grew 4.4% YoY in Q2 2019, down from 4.9% YoY in the previous quarter, while private investment slowed to 2.2% YoY, compared to 4.4% YoY in Q1 2019. Exports declined by 6.1%, unchanged from the Q1 figure. Imports further contracted to -2.7% YoY, from -0.1% in Q1. In contrast, public investment rose 1.4% in Q2, up from -0.1% in Q1, coinciding with ongoing infrastructure investments. This brings the total growth for the first half 2019 growth down to 2.6% YoY, compared to 4.8% during the same period last year.
- **Going forward, the property sector is like to see further slowdown in activity from softening market conditions, as well as the impacts from the LTV measures implemented by the Bank of Thailand.** Capex spending should also remain weak, in line with lower capacity utilization in Thailand. Therefore we forecast subdued private investment for the rest of the year.
- **With the impacts of severe droughts and car sales normalizing, we expect private consumption to slow from the first half of the year.** If that were to transpire, the government would likely roll out another round of “shop-for-Thailand” measure to boost consumer spending in Q4.
- **Tourist arrivals and receipts are expected to soften in the second half of the year as a slowdown in China will likely to a further fall of tourist arrivals from China, accounting for about 30% of total arrivals.** In addition, the strong baht continues to erode Thailand’s appeals as a tourist destination. Exports of goods should see further weakness, in line with a decline in global trade and confidence. The BOT’s recent rate cut was welcome, but further cuts are likely needed for more effectiveness. The effect of the new government stimulus package for farmers and low income group of THB 316 bn is likely to be positive, but limited, as the government is unlikely to be able to push for further stimulus for 2019.
- **Given the weak Q2 release and murky economic outlook, the NESDC lowered the 2019 forecast to 2.7%-3.2% from 3.3%-3.8%. We also revise our 2019 GDP forecast down to 2.6% YoY from 3.1%.** We expect to see some positive contribution from net exports despite a forecast of further weakness in exports, we are likely to see a deeper contraction in imports given lower oil prices going forward.

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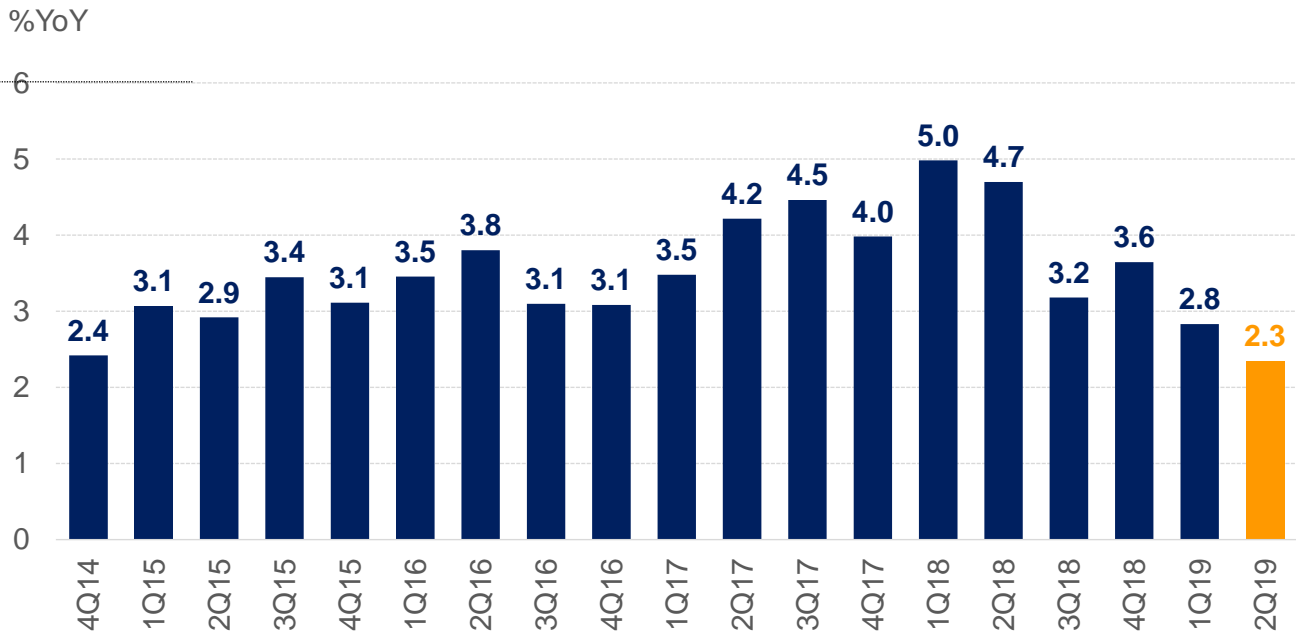
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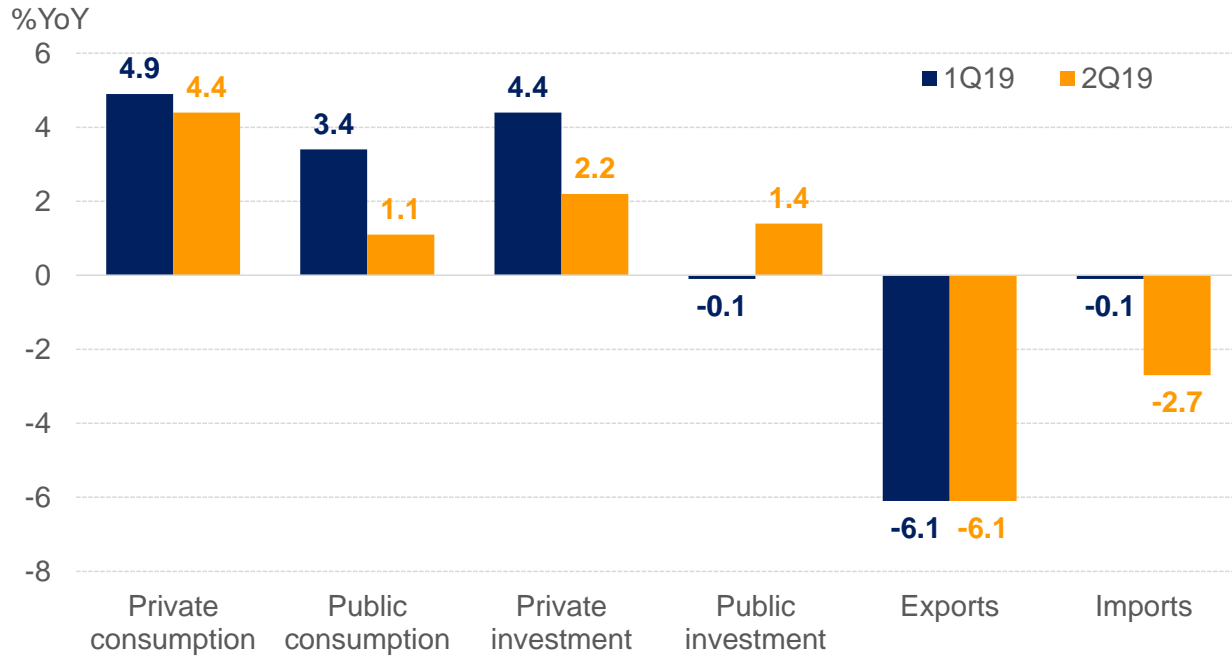
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Chart 1: Quarterly GDP Growth



Source: NESDC

Chart 2: GDP Growth by Expenditure Approach



Source: NESDC

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