

Issue 122/2560

Oct 30, 2017

Thailand's Economic Projections for 2017 and 2018

**“The Thai economy is forecast to expand by 3.8 percent in 2017
and inclined to continuously grow by 3.8 percent in 2018”**

Mr. Suwit Rojanavanich, the Director-General of the Fiscal Policy Office (FPO) stated that the FPO economic projections as of October 2017 anticipate the Thai economy to grow by 3.8 percent (or within a range of 3.6 to 4.0) in 2017, revised upward from the previous forecast and higher than 3.2 percent growth last year. Strong export growth in both goods and services is the main contributor of Thai economy this year, following the good expansion of trading partners' GDP and the number of international tourists. Private investment is prone to recover in the second half of 2017 especially in automobile equipment, consistent with significant growth of passenger car sales in Q3. Moreover, a good trend in farm income and tourism sector supports continuous private consumption growth. For public expenditure, public consumption is expected to expand more than that of last year, while public investment is anticipated to grow at the lower rate compared to last year since the delay of extra-budget disbursement. For internal stability, headline inflation is predicted to be 0.7 percent (or within a range of 0.5 to 0.9), higher than the previous year rate from economic demand expansion and higher oil price this year.

In 2018, Thai economy is projected to grow by 3.8 percent (or within a range of 3.3 to 4.3). Public expenditure would still be the key driver of Thai economy next year through various government investment projects. Besides, the clarity of election next year would be another supporting factor gaining business confidence and domestic investment. For external demand, FPO expects export of goods and services to have a solid growth, which could further advocate economic expansion. For internal stability, headline inflation is estimated to be 1.4 percent (or within a range of 0.9 to 1.9), consistent with continuing domestic demand growth and higher energy price trend next year.

The Director-General also added, “For the economic projections, several risk factors should be elaborately considered such as trading partners' economic recovery and monetary policy of developed countries”.

Major Assumptions and Economic Projections for 2017 and 2018 (As of Oct 2017)

	2015	2016	2017f		2018f	
			As of Oct17		As of Oct17	
			Avg	Range	Avg	Range
Major Assumptions						
<u>Exogenous Variables</u>						
1) Average Economic Growth Rate of Major Trading Partners (percent y-o-y)	3.48	3.63	3.72	3.47 to 3.97	3.59	3.09 to 4.09
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	51.2	41.2	51.8	48.8 to 54.8	53.0	48.00 to 58.00
3) Export price in U.S. dollar (percent y-o-y)	-4.1	-0.4	3.3	2.8 to 3.8	2.0	1.00 to 3.00
4) Import price in U.S. dollar (percent y-o-y)	-10.8	-2.7	5.3	4.8 to 5.8	2.4	1.40 to 3.40
<u>Policy Variables</u>						
5) Exchange Rate (Baht per U.S. dollar)	34.25	35.30	34.00	33.50 to 34.50	33.50	32.50 to 34.50
6) Policy rate at year-end (percent y-o-y)	1.50	1.50	1.50	1.25 to 1.75	1.50	1.00 to 2.00
7) Public Expenditure(Trillion Baht)	3.23	3.39	3.55	3.53 to 3.57	3.82	3.78 to 3.86
8) Number of foreign tourists (Million)	29.9	32.6	35.8	35.3 to 36.3	38.7	37.70 to 39.70
Projections						
1) GDP Growth Rate (percent y-o-y)	2.9	3.2	3.8	3.6 to 4.0	3.8	3.3 to 4.3
2) Real Consumption Growth (percent y-o-y)						
- Real Private Consumption (percent y-o-y)	2.2	3.1	3.3	3.1 to 3.5	3.4	2.9 to 3.9
- Real Public Consumption (percent y-o-y)	3.0	1.7	2.4	2.2 to 2.6	2.6	2.1 to 3.1
3) Real Investment Growth (percent y-o-y)						
- Real Private Investment (percent y-o-y)	-2.2	0.4	2.8	2.6 to 3.0	3.4	2.9 to 3.9
- Real Public Investment (percent y-o-y)	29.3	9.9	4.3	4.1 to 4.5	11.9	11.4 to 12.4
4) Export Volume of Goods and Services (percent y-o-y)	0.7	2.1	6.0	5.8 to 6.2	4.0	3.5 to 4.5
5) Import Volume of Goods and Services (percent y-o-y)	0.0	-1.4	6.9	6.7 to 7.1	5.4	4.9 to 5.9
6) Trade Balance (USD billion)	26.8	36.5	29.9	29.7 to 30.1	27.2	26.7 to 27.7
- Export Value of Goods in USD (percent y-o-y)	-5.6	0.1	8.5	8.3 to 8.7	5.7	5.2 to 6.2
- Import Value of Goods in USD (percent y-o-y)	-10.6	-5.1	14.0	13.8 to 14.2	7.9	7.4 to 8.4
7) Current Account (billion U.S.)	32.1	47.7	43.0	42.8 to 43.2	42.4	41.9 to 42.9
- Percentage of GDP	8.0	11.7	9.7	9.5 to 9.9	8.8	8.3 to 9.3
8) Headline Inflation (percent y-o-y)	-0.9	0.2	0.7	0.5 to 0.9	1.4	0.9 to 1.9
Core Inflation (percent y-o-y)	1.0	0.7	0.6	0.4 to 0.8	0.9	0.4 to 1.4

Attachment: Thailand's Economic Projections for 2017 and 2018 (in detail)

1. Thai Economy in 2017

1.1 Economic Growth

The Thai economy in 2017 is forecast to grow by 3.8 percent (or within a range of 3.6 to 4.0), revised upward from the previous forecast and higher than 3.2 percent growth last year. External demand would be the primary factor for this expansion. Export of goods and services is anticipated to grow by 6.0 percent (or within a range of 5.8 to 6.2) following trading partners' economic progression and increasing number of international tourists. Private investment is expected to grow by 2.8 percent (or within a range of 2.6 to 3.0), which has a solid tendency to recover in the second half of this year especially in automobile equipment, consistent with 12.8 percent growth of passenger car sales in Q3. Likewise, private consumption is projected to grow well at the rate of 3.3 percent (or within a range of 3.1 to 3.5) from rising revenue of agricultural and tourism sector. Public consumption is estimated to expand by 2.4 percent (or within a range of 2.2 to 2.6), while public investment is likely to grow at the lower rate at 4.3 percent (or within a range of 4.1 to 4.5) from the delay of extra-budget disbursement. However, this postponement would support the economy in later time by being disbursed in 2018.

1.2 Economic Stability

With regard to internal stability, headline inflation is expected to be 0.7 percent (or within a range of 0.5 – 0.9), higher than that of the preceding year, from higher energy prices and improved domestic demand. For external stability, current account is anticipated to be 43.0 billion USD or 9.7 percent of GDP (or within a range of 9.5 to 9.9 percent of GDP), while trade balance is estimated to be 29.9 billion USD (or within a range of 29.7 to 30.1). Import value in USD term in 2017 is projected to grow by 14.0 percent (or within a range of 13.8 to 14.2), whereas export value in USD term is forecast to expand by 8.5 percent (or within a range of 8.3 to 8.7).

2. Thai Economy in 2018

2.1 Economic Growth

FPO projects Thai economy in 2018 to expand by 3.8 percent (or within a range of 3.3 to 4.3). Public expenditure would be the main supportive factor next year especially through central government and state-owned enterprises investment projects. Government consumption and investment are predicted to be 2.6 (or within a range of 2.1 to 3.1) and 11.9 (or within a range of 11.4 to 12.4), respectively. As a progression of public investment and the clarity of election are expected, this will comfort business confidence and boosting private investment, which is estimated to grow by 3.4 percent (or within a range of 2.9 to 3.9). For private consumption, FPO forecasts a 3.4 percent growth (or within a range of 2.9 to 3.9) from a good trend of non-agriculture revenue and easing policy rate, which could comfort durable consumption. External demand is considered to expand well from trading partners' economic expansion. Export of goods and services is therefore projected to grow by

4.0 (or within a range of 3.5 to 4.5). Lastly, import of goods and services is anticipated to grow by 5.4 percent (or within a range of 4.9 to 5.9) from the growth of private and public investment.

2.2 Economic Stability

Overall, Thai economic stability next year would remain solid. Headline inflation is estimated to be 1.4 percent (or within a range of 0.9 to 1.9), higher than the preceding year's rate from improved domestic demand and slightly upward trend of energy prices. For external stability, FPO projects current account to be 42.4 billion USD or 8.8 percent of GDP (or within a range of 8.3 to 9.3 percent of GDP), while trade balance is estimated to be 27.2 billion USD (or within a range of 26.7 to 27.7). Import value in USD term in 2018 is projected to grow by 7.9 percent (or within a range of 7.4 to 8.4), whereas export value in USD term is forecast to expand by 5.7 percent (or within a range of 5.2 to 6.2).

Bureau of Macroeconomic Policy, Fiscal Policy Office
Tel. 0 2273 9020 ext. 3223 Fax. 0 2298 5602