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Thailand's Economic Projections for 2019 and 2020

“Thai economy in 2019 is expected to grow at 2.8 percent and will accelerate to 3.3 percent in 2020.”

Mr. Lavaron Sangsnit, Director General, the Fiscal Policy Office (FPO), and acting Spokesman of Ministry of Finance, stated that “the FPO anticipates the Thai economy in the second half of the year to expand by 3.1 percent, resulting in the 2.8 percent economic growth in 2019 (with a forecast range of 2.6 percent to 3.0 percent). It is expected to slow down from the previous year which expanded by 4.1 percent due to the decline in exports of goods, which are the result of the slowdown of the trading partners' economies and the world trade volume due to the trade war between the United States and China. As a result, the value of exports of goods are projected to contract by 2.5 percent (with a forecast range of -2.7 to -2.3 percent). However, the number of tourists would increase from the previous year, supported by the extension of the length of the cancellation fee for immigration check-up (Visa on Arrival: VOA). Private consumption and private investment are expected to continue to expand. They are supported by the economic stimulus measures in the second half of 2019, especially the Chim Shop Chai (Taste, Shop, Spend) campaign, both phase 1 and phase 2, the social welfare card program, the measures to alleviate the cost of living for farmers who suffer from drought, the farmer's income insurance scheme for oil palm, the mortgage loans measure of the Government Housing Bank, the measures to reduce the housing transfer fees and mortgage registration fees for buyers, and expedition of budget disbursement. The stability of the Thai economy is exceptional. The headline inflation in 2019 is expected to be 0.8 percent (with a forecast range of 0.6 - 1.0 percent), decreasing from the previous year due to the falling of crude oil prices in the world market.

For the Thai economy in 2020, the FPO expects the Thai economy to expand at a faster pace of 3.3 percent (within the range of 2.8 - 3.8 percent). It is supported by private and government spending, both from the 2020 budget expenditure of 3.2 trillion baht, which is expected to be effective from the beginning of next year, and the massive transportation infrastructure investment of state-owned enterprises. In addition, increasing public investment will also help promote business confidence and private investment in the country. For external demand, it is expected that the exports of goods and services are likely to accelerate from the previous year as a results of the expansion of trading partner economy and the increase of world trade volume that is expected to recover in 2020. For the internal stability, it is expected that headline inflation in 2020 will be at 0.9 percent (within the range of 0.4 - 1.4 percent) due to the recovery of domestic demand.”

The spokesperson also added, “the Ministry of Finance closely monitors the economic risk factors, for example, the trade war situation between the US and China, the withdrawal from the European Union of the United Kingdom (Brexit), the slowdown of the Chinese economy, and the implementation of monetary policy in developed countries”

Major Assumptions and Economic Projections for 2019 and 2020

			2019f		2020f	
	2017	2018				
			Avg	Range	Avg	Range
Projections						
1) GDP Growth Rate (percent y-o-y)	4.0	4.1	2.8	2.6 to 3.0	3.3	2.8 to 3.8
2) Real Consumption Growth (percent y-o-y)						
- Real Private Consumption (percent y-o-y)	3.0	4.6	3.8	3.6 to 4.0	3.5	3.0 to 4.0
- Real Public Consumption (percent y-o-y)	0.1	1.8	2.0	1.8 to 2.2	2.5	2.0 to 3.0
3) Real Investment Growth (percent y-o-y)						
- Real Private Investment (percent y-o-y)	2.9	3.9	2.7	2.5 to 2.9	4.6	4.1 to 5.1
- Real Public Investment (percent y-o-y)	-1.2	3.3	1.4	1.2 to 1.6	6.6	6.1 to 7.1
4) Export Volume of Goods and Services (percent y-o-y)	5.4	4.2	-3.6	-3.8 to -3.4	2.5	2.0 to 3.0
5) Import Volume of Goods and Services (percent y-o-y)	6.2	8.6	-3.1	-3.3 to -2.9	3.0	2.5 to 3.5
6) Trade Balance (USD billion)	32.6	22.4	24.6	24.4 to 24.8	23.6	23.1 to 24.1
- Export Value of Goods in USD (percent y-o-y)	9.5	7.5	-2.5	-2.7 to -2.3	2.6	2.1 to 3.1
- Import Value of Goods in USD (percent y-o-y)	13.2	13.7	-3.8	-4.0 to -3.6	3.4	2.9 to 3.9
7) Current Account (billion U.S.)	44.1	32.4	33.5	33.3 to 33.7	32.9	32.4 to 33.4
- Percentage of GDP	9.7	6.4	6.2	6.0 to 6.4	5.7	5.2 to 6.2
8) Headline Inflation (percent y-o-y)	0.7	1.1	0.8	0.6 to 1.0	0.9	0.4 to 1.4
Core Inflation (percent y-o-y)	0.6	0.7	0.6	0.4 to 0.8	0.8	0.3 to 1.3
Major Assumptions						
<u>Exogenous Variables</u>						
1) Average Economic Growth Rate of Major Trading Partners (percent y-o-y)	4.0	3.9	3.3	3.1 to 3.6	3.34	2.8 to 3.8
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	53.1	69.4	62.7	59.7 to 65.7	61.2	56.2 to 66.2
<u>Policy Variables</u>						
3) Exchange Rate (Baht per U.S. dollar)	33.9	32.3	31.1	30.6 to 31.6	30.75	29.75 to 31.75
4) Public Expenditure (Trillion Baht)	3.46	3.60	3.74	3.72 to 3.76	3.96	3.92 to 4.00
5) Number of foreign tourists (Million)	35.6	38.3	39.8	39.3 to 40.3	41.5	40.5 to 42.5

Attachment

Thailand's Economic Projections for 2019 and 2020

1. Thai economy in 2019

1.1 Economic growth

The Thai economy in 2019 is expected to grow by 2.8 percent (within the range of 2.6 - 3.0 percent), slowing down from the previous year which expanded by 4.1 percent due to the decline in exports of goods, which is the result of the economies of trading partners and the world trade slowed down due to the trade war between the United States and China. As a result, the value of exports of goods is projected to contract by -2.5 percent (with a range of -2.7 to -2.3 percent). However, the number of tourists increases from the previous year. As well as being supported by the extension of the length of the cancellation fee for immigration check-up (Visa on Arrival: VOA). The private consumption is expected to expand at 3.8 percent (with the range of 3.6 - 4.0 percent), supported by the stimulus measures of the year 2019 and the government's low-income measures, especially the social welfare card program that helps support public spending. The private investment is expected to expand by 2.7 percent (within the range of 2.5 - 2.9 percent) due to the decline of exports of goods and slowdown of domestic demand. The public consumption is projected to accelerated by 2.0 percent (with a 1.8 - 2.2 forecast period). However, government investment will slow down to 1.4 percent (with a range of 1.2 - 1.6 percent) due to the late disbursement of the 2020 budget. The volume of imports of goods and services is expected to contract by -3.1 percent (with a range of -3.3 to -2.9 percent), because of the slowdown of domestic and external demand.

1.2 Economic stability

For the internal economic stability, headline inflation in 2019 is expected to be 0.8 percent (within the range of 0.6 - 1.0 percent), decreasing from the previous year due to the decreasing of global crude oil price. For external stability, the current account is projected to surplus at 33.5 billion US dollars, or 6.2 percent of GDP (with a range of 6.0 - 6.4 percent of GDP) as the trade balance is expected to surplus at 24.6 billion US dollars. The value of imported goods is expected to contract by -3.8 percent (with a range of -4.0 to -3.6 percent), while the value of exports is expected to contract by -2.5 percent (with a range of -2.7 to -2.3 percent).

2. Thai economy in 2020

2.1 Economic growth

The Thai economy in 2020 will expand at a faster pace from previous years to 3.3 percent (within the range of 2.8 - 3.8 percent), supported by the increase of external demand. The volume of exports of goods and services will expand at 2.5 percent (within the range of 2.0 - 3.0 percent), as exports of goods will expand at an accelerated rate from the previous year because of the expansion of trading partners economies and the recovery of world trade. The exports of service continued to expand from the increasing of tourist arrivals. In addition, government spending remained an important economic driver. The 2020 budget of 3.2 trillion baht increases by 200 billion baht from the previous fiscal year, mainly due to an increase in transportation infrastructure of state enterprises

As a result, public investment is expected to continually grow at a high level of 6.6 percent (within the range of 6.1 - 7.1 percent) and the government consumption is expected to increase at 2.5 percent (with a range of 2.0 - 3.0 percent). The private investment will accelerate by 4.6 percent (within the range of 4.1 - 5.1 percent) which is in line with the increasing of public investment. This will encourage business confidence and stimulate private investment in the country. In addition, the Thailand Plus package, private investment stimulus measures, will also support private investment. The non-agricultural income will be exceptional with the recovery of the economy. It will encourage private consumption to continuously grow at 3.5 percent (with a range of 3.0 - 4.0 percent). Meanwhile, the import of goods and services is expected to expand at 3.0 percent (within the range of 2.5 - 3.5 percent), in line with the growth of private investment and also supported by large government investment projects.

2.2 Economic stability

For the internal economic stability, headline inflation is expected to be at 0.9 percent (with a range of 0.4 - 1.4 percent) slightly increased from the previous year due to accelerated domestic demand. For external stability, the current account will surplus at 32.9 billion US dollars, or 5.7 percent of GDP (with a range of 5.2 - 6.2 percent of GDP) because the trade balance is expected to surplus at 23.6 billion US dollars. The value of imported goods is expected to accelerate at 3.4 percent (within the range of 2.9 - 3.9 percent), while the value of exports is expected to grow at 2.6 percent (with the range of 2.1 - 3.1 percent)