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Thailand's Economic Projections 2017

“The Thai economy is forecast to expand by 3.6 percent in 2017 from decent export progression and continuing growth in public expenditure”

Mr. Krisada Chinavicharana, the Director-General of the Fiscal Policy Office (FPO) stated that the FPO economic projections as of April 2017 anticipate the Thai economy to grow by 3.6 percent (or within a range of 3.3 to 3.9) in 2017, higher than 3.2 percent growth last year. This expansion is mainly due to a good tendency in external demand especially export of goods sector, which is expected to grow progressively from last year. Moreover, public expenditure would still be the main driver of the economy especially the new extra budget of fiscal year 2017 (190,000 million baht) as well as several new transportation infrastructure projects which could be launched this year such as double-track railway system, sky-train, motorway and airport development. For private investment, low interest rate and the progression of public investment projects would support private investment to moderately expand from last year. Finally, increasing commodity prices, which lead to satisfactory trend in farm income, would support a continuous growth in private consumption.

Thai economic stability remains steadily good. For internal stability, headline inflation is predicted to be 1.4 (or within a range of 1.1 – 1.7) consistent with the upside trend of energy prices. While external stability, current account is projected to be a surplus of USD 39.0 billion or 9.2 percent of GDP (or within a range of 8.9 - 9.5 percent of GDP).

The Director-General also added that “For the economic projections, several risk factors should be elaborately considered such as a fragile recovery of trading partners’ economies, global financial markets turmoil, US international trade policies, political situation in Europe and international political conflict”.

Major Assumptions and Economic Projections for 2017 (As of April 2017)

	2015	2016	2017f	
			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	3.51	3.26 to 3.76
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	51.2	41.3	53.7	50.7 to 56.7
3) Export price in U.S. dollar (percent y-o-y)	-4.1	-0.4	2.4	1.9 to 2.9
4) Import price in U.S. dollar (percent y-o-y)	-10.8	-2.7	4.5	4.0 to 5.0
<u>Policy Variables</u>				
5) Exchange Rate (Baht per U.S. dollar)	34.25	35.30	35.50	35.00 to 36.00
6) Policy rate at year-end (percent y-o-y)	1.50	1.50	1.50	1.25 to 1.75
7) Public Expenditure(Trillion Baht)	3.23	3.39	3.63	3.59 to 3.67
8) Number of foreign tourists (Million)	29.9	32.6	35.0	34.5 to 35.5
Projections				
1) GDP Growth Rate (percent y-o-y)	2.9	3.2	3.6	3.3 to 3.9
2) Real Consumption Growth (percent y-o-y)				
- Real Private Consumption (percent y-o-y)	2.2	3.1	3.0	2.7 to 3.3
- Real Public Consumption (percent y-o-y)	3.0	1.6	3.0	2.7 to 3.3
3) Real Investment Growth (percent y-o-y)				
- Real Private Investment (percent y-o-y)	-2.2	0.4	2.7	2.4 to 3.0
- Real Public Investment (percent y-o-y)	29.3	9.9	10.9	10.6 to 11.2
4) Export Volume of Goods and Services (percent y-o-y)	0.7	2.1	2.4	2.1 to 2.7
5) Import Volume of Goods and Services (percent y-o-y)	0.0	-1.4	2.8	2.5 to 3.1
6) Trade Balance (USD billion)	26.8	35.8	29.3	29.0 to 29.6
- Export Value of Goods in USD (percent y-o-y)	-5.6	0.0	3.3	3.0 to 3.6
- Import Value of Goods in USD (percent y-o-y)	-10.6	-4.7	7.5	7.2 to 7.8
7) Current Account (billion U.S.)	32.1	46.8	39.0	38.7 to 39.3
- Percentage of GDP	8.1	11.5	9.2	8.9 to 9.5
8) Headline Inflation (percent y-o-y)	-0.9	0.2	1.4	1.1 to 1.7
Core Inflation (percent y-o-y)	1.0	0.7	0.7	0.4 to 1.0

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

1. Economic Growth

The Thai economy in 2017 is forecast to grow by 3.6 percent (or within a range of 3.3 – 3.9), 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 2.4 percent (or within a range of 2.1 - 2.7) following improved trading partners' economic growth, which would enhance export of goods sector. Whereas export of services is likely to grow well from increasing number of international tourists. Moreover, public expenditure would still be the main driver of the economy especially the new extra budget of fiscal year 2017 (190,000 million baht) and other infrastructure projects such as double-track railway system, sky-train, motorway and airport development. This leads to a significant growth of 10.9 percent in public investment (or within a range of 10.6 – 11.2), as well as 3.0 percent in public consumption (or within a range of 2.7 – 3.3). Private investment is estimated to grow by 2.7 percent (or within a range of 2.4 - 3.0) on account of continuous easing monetary policy and the new extra budgetary fund in parts of village fund and SMEs development fund that would result in crowding-in investment from private firms. In regard to private consumption, FPO anticipates 3.0 percent growth rate (or within a range of 2.7 - 3.3) as farm income is likely to rise well from higher global commodity prices. Lastly, import of goods and services is forecast to grow by 2.8 percent (or within a range of 2.5 – 3.1) consistent with the growth of private and public investment as well as export of goods.

2. Economic Stability

With regard to internal stability, headline inflation is expected to be 1.4 (or within a range of 1.1 – 1.7), higher than that of the preceding year, from higher energy prices and improved domestic demand. For external stability, current account would be USD 37.9 billion or 9.2 percent of GDP (or within a range of 8.9 – 9.5 percent of GDP), while trade balance is estimated to be USD 29.3 billion (or within a range of 29.0 – 29.6). Import value in USD term in 2017 is projected to grow by 7.5 percent (or within a range of 7.2 – 7.8), whereas export value in USD term is forecast to expand by 3.3 (or within a range of 3.0 – 3.6).