



Thailand's Economic Outlook Projection 2016

The Thai economy in 2016 is projected to grow at 3.3 percent, due to supports from public measures and tourism sector

Mr. Krisada Chinavicharana, the Director-General of the Fiscal Policy Office (FPO) announced Thailand's economic projections as of July 2016 stating that "the Thai economy in 2016 is projected to grow at an annualized rate of 3.3 percent (or within a range of 3.0 - 3.6 percent), higher than the previous year of 2.8 percent, due to the government expenditure and investment which are expected to grow high from the increasing fiscal disbursement. This includes the continuous disbursement from the readiness of the water resource management project, the transportation development project, the infrastructure investment development project on transportation in 2016. Moreover, the higher number of international tourists, especially the Chinese and the Russian, also support the growth of tourism-related businesses such as hotels and restaurants, transportation, and wholesale and retail trades. For the private consumption, it also has the continuous trend growing from previous year regarding the supportive level of employment and income in services sector. The private investment also has the recovering trend due to the low interest rate and the advancement of the government investment in various important projects. Nevertheless, exports of goods are anticipated to have some limitation to improve from the fragile global economic recovery, which is expected to lessen exports of goods comparing to that of previous projection.

Thailand's economic stability is still resilient. With regard to internal stability, headline inflation in 2016 is anticipated to be 0.6 percent (or within a range of 0.3 to 0.9 percent), higher than that of the previous year, due to the higher domestic demand, however it is still low due to the decreasing global energy prices. For external stability, the estimated trade surplus is expected to be higher than that of the previous year, due to the value of exports of goods is expected to contract at the lower rate. As a result, there will be a current account surplus of USD 40.9 billion or 10.3 percent of GDP (or within a range of 10.0 - 10.6 percent of GDP), higher than the previous year, due to the higher values of both trade and services surpluses"

The Director-General of the FPO also added that "For the economic projections, several risk factors should be taken into account, such as the declining trend of the trading partners' economies, the fragile confidence of the private sector, and the volatility of the exchange rates for the rest of the year"

Major Assumptions and Economic Projections of 2016 (As of July 2016)

	2014	2015	2016f	
			(As of July 16)	
			Average	Range
Major Assumptions				
<u>Exogenous Variables</u>				
1) Average Economic Growth Rate of Major Trading Partners (percent y-o-y)	3.66	3.48	3.30	3.00 - 3.60
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	96.7	51.2	41.0	38.0 - 44.0
3) Export price in U.S. dollar (percent y-o-y)	-1.0	-2.3	-1.2	(-1.8) to (-0.6)
4) Import price in U.S. dollar (percent y-o-y)	-1.8	-10.8	-3.8	(-4.4) to (-3.2)
<u>Policy Variables</u>				
5) Exchange Rate (Baht per U.S. dollar)	32.5	34.2	35.5	34.9 - 36.1
6) Repurchase Rate (Policy Rate) at year-end (percent y-o-y)	2.00	1.50	1.5	1.2 - 1.8
7) Fiscal-Year Pubic Expenditure (Trillion Baht)	2.92	3.20	3.43	3.39 - 3.47
8) Number of international tourists (Million persons)	24.8	29.9	33.8	33.2 - 34.4
Projections				
1) Economic Growth Rate (percent y-o-y)	0.8	2.8	3.3	3.0 - 3.6
2) Real Consumption Growth (percent y-o-y)				
- Real Private Consumption	0.6	2.1	2.3	2.0 - 2.6
- Real Public Consumption	2.1	2.2	3.6	3.3 - 3.9
3) Real Investment Growth (percent y-o-y)				
- Real Private Investment	-1.0	-2.0	2.6	2.3 - 2.9
- Real Public Investment	-7.3	29.8	10.5	10.2 - 10.8
4) Export Volume of Goods and Services (percent y-o-y)	0.2	0.2	2.7	2.4 - 3.0
5) Import Volume of Goods and Services (percent y-o-y)	-5.3	-0.4	-1.4	(-1.7) - (-1.1)
6) Trade Balance (billion U.S. dollar)	24.6	34.6	41.5	41.2 - 41.8
- Export Value of Goods in U.S. dollar (percent y-o-y)	-0.3	-5.6	-1.9	(-2.2) to (-1.6)
- Import Value of Goods in U.S. dollar (percent y-o-y)	-8.5	-11.3	-6.1	(-6.4) to (-5.8)
7) Current Account (billion U.S. dollar)	15.4	31.6	40.9	40.6 - 41.2
- Percentage of GDP	3.8	8.0	10.3	10.0 - 10.6
8) Headline Inflation (percent y-o-y)	1.9	-0.9	0.3	0.3 - 0.9
Core Inflation (percent y-o-y)	1.6	1.1	0.8	0.5 - 1.1

f = forecast by Fiscal Policy Office, Ministry of Finance, Thailand, Tel: 0-2273-9020

Attachment: Thailand's Economic Projections 2016

1. Economic Growth

The Thai economy in 2016 is forecasted to grow at an annualized rate of 3.3 percent (or within a range of 3.0 – 3.6 percent), higher than the previous year of 2.8 percent, due to the growth of the government disbursement and investment, of which are 3.6 percent (or within a range of 3.3 – 3.9 percent) and 10.5 percent (or within a range of 10.2 – 10.8 percent), respectively, from the increasing fiscal disbursement. While the disbursement from the water resource management project, the transportation development project, the infrastructure investment development project on transportation are also continuously supportive. Moreover, the export of goods and services is expected to grow at the higher rate than that of the previous year by 2.7 percent (or within a range of 2.4 – 3.0 percent) following the higher number of international tourists, especially the Chinese and the Russian, of which also support the growth of tourism-related businesses such as hotels and restaurants, transportation, and wholesale and retail trades. Nevertheless, exports of goods are anticipated to have some limitation to improve from the fragile global economic recovery, which is expected to lessen exports of goods comparing to that of previous projection. For the private consumption, it is expected to grow by 2.3 percent (or within a range of 2.0-2.6 percent) following that of the previous year, regarding the supportive level of the high growth of employment and income in services sector, especially tourism sector. Moreover, the government measures on helping the agricultural sector and micro-economy still continuously support the growth of household expenditure. The private investment also has the recovering trend with the growth of 2.6 percent (or within a range of 2.3-2.9 percent), due to the low interest rate and the advancement of the government investment in various important projects. The import of goods and services is expected to contract at a rate of -1.4 percent (or within a range of -1.7 to -1.1 percent) following the lower imported quantity of raw materials and intermediate goods.

2. Economic Stability

The economic stability is still resilient. For internal stability, headline inflation in 2015 is likely to grow to 0.6 percent (or within a range of 0.3 to 0.9 percent), higher than that of the previous year, due to the higher domestic demand, of which raises the price indices of food and beverages. However, it is still low due to the decreasing global energy prices. For the external stability, there will be a current account surplus of USD 40.9 billion or 10.3 percent of GDP (or within a range of 10.0 - 10.6 percent of GDP), higher than the previous year due to the higher trade and services surpluses. The estimated trade surplus is expected to increase to USD 41.5 billion (or within a range of USD 41.2 – 41.8 billion), explained by the lower rate of decelerated export growth, of which is in line with the export prices. It is expected that the value of exports contracts by -1.9 percent (or within a range of -2.2 to -1.6 percent), while the value of imports in 2016 are expected to contract by -6.1 percent (or within a range of -6.4 to -5.8 percent).