



Issue 64/2561

Apr 27, 2018

Thailand's Economic Projections for 2018

“The Thai economy is forecast to expand by 4.2 percent in 2018, supported by the continuous growth in export and tourism sectors”

Mr. Pornchai Thiraveja, the Fiscal Policy Advisor of the Fiscal Policy Office (FPO) stated that “the FPO economic projections as of April 2018 anticipate the Thai economy in 2018 to grow by 4.2 percent (or within a range of 3.9 to 4.5). Export and Tourism sectors are the main drivers of Thai economy this year, consistent with strong growth of many trading partners’ economies. Moreover, public expenditure is still an important factor of Thai economic expansion through in-budget and extra-budget expenditure (150 billion baht). The progression of many public infrastructure investment projects, including EEC construction, is expected to foster business confidence, which could lead to higher private investment. Private consumption is prone to grow well from non-agriculture income, which is caused by decent income of exporting businesses (including all supply chain firms). Furthermore, social welfare policy for low-income people phase 2 is another factor supporting low-income people’s consumption.

Thai economic stability remains resilient. For internal stability, headline inflation is estimated to be 1.2 percent (or within a range of 0.9 to 1.5), due to higher crude oil price. For external stability, current account is anticipated to be a surplus of 46.6 billion USD or 9.1 percent of GDP (or within a range of 8.8 to 9.4 percent of GDP)”.

The Fiscal Policy Advisor also added, “For the economic projections, several risk factors should be elaborately considered such as fluctuations in global money market and US economic policies”.

Major Assumptions and Economic Projections for 2018 (As of Apr 2018)

	2016	2017	2018f	
			As of APR18	
			Avg	Range
Major Assumptions				
<u>Exogenous Variables</u>				
1) Average Economic Growth Rate of Major Trading Partners (percent y-o-y)	3.40	3.72	3.98	3.73 to 4.23
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	41.2	53.1	64.0	61.0 to 67.0
<u>Policy Variables</u>				
3) Exchange Rate (Baht per U.S. dollar)	35.30	33.94	31.50	31.00 to 32.00
4) Policy rate at year-end (percent y-o-y)	1.50	1.50	1.50	1.25 to 1.75
5) Public Expenditure (Trillion Baht)	3.39	3.46	3.68	3.64 to 3.72
6) Number of foreign tourists (Million)	32.5	35.4	39.9	39.4 to 40.4
Projections				
1) GDP Growth Rate (percent y-o-y)	3.3	3.9	4.2	3.9 to 4.5
2) Real Consumption Growth (percent y-o-y)				
- Real Private Consumption (percent y-o-y)	3.0	3.2	3.5	3.2 to 3.8
- Real Public Consumption (percent y-o-y)	2.2	0.5	3.0	2.7 to 3.3
3) Real Investment Growth (percent y-o-y)				
- Real Private Investment (percent y-o-y)	0.5	1.7	3.8	3.5 to 4.1
- Real Public Investment (percent y-o-y)	9.5	-1.2	8.9	8.6 to 9.2
4) Export Volume of Goods and Services (percent y-o-y)	2.8	5.5	5.5	5.2 to 5.8
5) Import Volume of Goods and Services (percent y-o-y)	-1.0	6.8	5.8	5.5 to 6.1
6) Trade Balance (USD billion)	36.5	31.9	25.3	25.0 to 25.6
- Export Value of Goods in USD (percent y-o-y)	0.1	9.7	8.0	7.7 to 8.3
- Import Value of Goods in USD (percent y-o-y)	-5.1	14.4	12.5	12.2 to 12.8
7) Current Account (billion U.S.)	48.2	49.3	46.6	46.3 to 46.9
- Percentage of GDP	11.7	10.8	9.1	8.8 to 9.4
8) Headline Inflation (percent y-o-y)	0.2	0.7	1.2	0.9 to 1.5
Core Inflation (percent y-o-y)	0.7	0.6	0.7	0.4 to 1.0

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

1. Economic Growth

FPO projects Thai economy in 2018 to expand by 4.2 percent (or within a range of 3.9 to 4.5). Export and Tourism sectors are the main drivers of Thai economy this year, consistent with strong growth of many trading partners' economies. Real export of goods and services is projected to grow by 5.5 percent (or within a range of 5.2 to 5.8 percent). Moreover, Public expenditure would be another supportive factor through central government, state-owned enterprises investment projects and extra-budget expenditure (150 billion baht). Public investment and consumption are forecast to grow by 8.9 (or within a range of 8.6 to 9.2 percent) and 3.0 (or within a range of 2.7 to 3.3 percent) respectively. Besides, the advanced progression of many public infrastructure projects, including EEC construction, would comfort business confidence and boosting private investment, which is estimated to grow by 3.8 percent (or within a range of 3.5 to 4.1). For private consumption, FPO forecasts a 3.5 percent growth (or within a range of 3.2 to 3.8) from a good trend of non-agriculture income, resulted from growing revenue of many businesses involving exporting sector. Finally, real import of goods and services is expected to grow by 5.8 percent (or within a range of 5.5 to 6.1 percent), consistent with higher growth of export and investment.

2. Economic Stability

For internal stability, headline inflation is estimated to be 1.2 percent (or within a range of 0.9 to 1.5), higher than the preceding year's rate from improved domestic demand and an upward trend of crude oil price. For external stability, FPO projects current account to be 46.6 billion USD or 9.1 percent of GDP (or within a range of 8.8 to 9.4 percent of GDP), while trade balance is estimated to be 25.3 billion USD (or within a range of 25.0 to 25.6). Import value in USD term in 2018 is projected to grow by 12.5 percent (or within a range of 12.2 to 12.8), whereas export value in USD term is forecast to expand by 8.0 percent (or within a range of 7.7 to 8.3).