



Thailand's Economic Outlook 2016

The Thai economy in 2016 is projected to grow at 3.3 percent supported by strong tourism sector and fiscal spending

Mr. Krisada Chinavicharana, Director-General of the Fiscal Policy Office (FPO), announced Thailand's economic projections as of April 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 2.8 percent growth last year, support by strong growth in the export of service particularly in the tourism sector. Moreover, public expenditure is also expected to grow including infrastructure investment spending, water resource management investment, and increasing capital expenditure framework under government budget in 2016 which would support continued economic recovery. On private consumption and investment, they are expected to show continuous recovery trend in line with full employment level and higher non-agricultural income. Moreover, lower oil price and low level of interest rate would accommodate higher private investment. In addition, government measures to boost the economy e.g. Civil State projects to strengthen the grass-root economy should support domestic demand. Nevertheless, export of goods is anticipated to show some limitation given the fragile global economy, especially China's slower economic growth, which is expected to lessen exports of goods comparing to the previous export of goods projection.**

Thailand's economic stability is still resilient. With regard to internal stability, headline inflation in 2016 is anticipated to be 0.3 percent (or within a range of 0.0 to 0.6 percent), higher than that of the previous year, due to the higher demand-side pressures, however, headline inflation should remain low due to lower crude oil prices. For external stability, trade surplus is expected to be higher than that of the previous year, due to import value of goods is expected to contract following lower fuel prices. As a result, current account surplus is expected at USD 38.5 billion or 9.7 percent of GDP (or within a range of 9.4 - 10.0 percent of GDP)."

The Director-General of the FPO also added that **"For the economic projections, several risk factors should be taken into account, such as volatile crude oil and agricultural prices, fragility of global economic recovery, changing global trade structure, and volatility of the international capital flows and exchange rates"**

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

	2014	2015	2016f (As of Apr 16)	
			Average	Range
Major Assumptions				
<u>Exogenous Variables</u>				
1) Average Economic Growth Rate of Major Trading Partners (percent y-o-y)	3.63	3.51	3.49	3.19 - 3.79
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	96.4	51.6	35.0	32.0 - 38.0
3) Export price in U.S. dollar (percent y-o-y)	-1.0	-2.3	-1.7	(-2.3) to (-1.1)
4) Import price in U.S. dollar (percent y-o-y)	-1.9	-10.8	-4.5	(-5.1) to (-3.9)
<u>Policy Variables</u>				
5) Exchange Rate (Baht per U.S. dollar)	32.5	34.3	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 Expenditures (Trillion Baht)	2.94	3.17	3.38	3.34 - 3.42
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	2.1	1.8 - 2.4
- Real Public Consumption	2.1	2.2	3.2	2.9 - 3.5
3) Real Investment Growth (percent y-o-y)				
- Real Private Investment	-1.0	-2.0	3.0	2.7 - 3.3
- Real Public Investment	-7.3	29.8	8.9	8.6 - 9.2
4) Export Volume of Goods and Services (percent y-o-y)	0.2	0.1	3.2	2.9 - 3.5
5) Import Volume of Goods and Services (percent y-o-y)	-5.3	-0.4	0.4	0.1 - 0.7
6) Trade Balance (billion U.S. dollar)	24.6	34.6	41.1	40.8 - 41.4
- Export Value of Goods in U.S. dollar (percent y-o-y)	-0.3	-5.6	-0.7	(-1.0) to (-0.4)
- Import Value of Goods in U.S. dollar (percent y-o-y)	-8.5	-11.3	-4.5	(-4.8) to (-4.2)
7) Current Account (billion U.S. dollar)	15.4	31.6	38.5	38.2 - 38.8
- Percentage of GDP	3.8	8.0	9.7	9.4 - 10.0
8) Headline Inflation (percent y-o-y)	1.9	-0.9	0.3	0.0 - 0.6
Core Inflation (percent y-o-y)	1.6	1.1	0.8	0.5 - 1.1
9) Unemployment Rate (percentage of total labor force)	0.7	0.9	0.8	0.7 - 0.9

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 public investment, especially from the transport infrastructure investment and water resource management projects, and increasing capital investment framework under the government budget in 2016. Public investment is anticipated to expand at 8.9 percent (or within a range of 8.6 – 9.2 percent) and the public consumption is expected to grow at 3.2 percent (or within a range of 2.9 – 3.5 percent). For the private consumption and investment, they should also show continuous recovery trend. Private consumption is expected to grow at 2.1 percent (or within a range of 1.8 – 2.4 percent) from full employment level and higher non-agricultural income. Private investment is anticipated to expand at 3.0 percent (or within a range of 2.7 – 3.3 percent), following clearer direction on the infrastructure investment project by the government positively supported private investment sentiment. Moreover, lower oil prices and low level of interest rate should accommodate higher private investment. For external demand, real export of goods and services this year is anticipated to grow at 3.2 percent (or within a range of 2.9 – 3.5 percent) from increasing export of services, especially high growth in tourism sector. Nevertheless, exports of goods are anticipated to have some limitation due to fragile global economic recovery, especially with China's slower economic growth, which is expected to lessen exports of goods comparing to that of previous projection. The import of goods and services is expected to grow at a rate of 0.4 percent (or within a range of 0.1 - 0.7 percent) in line with the expected higher growth of private consumption and the recovery of export, with the support of the ongoing public investment projects.

2. Economic Stability

For the internal stability, headline inflation in 2016 is likely to grow to 0.3 percent (or within a range of 0.0 to 0.6 percent), higher than that of the previous year, due to the higher demand-side pressures. However, headline inflation should still be low due to lower global energy prices from higher global energy supply and slower growth of global energy demand from fragile global economic recovery. Unemployment is expected to be 0.8 percent of the total labor force (or within a range of 0.7 – 0.9 percent). For the external stability, there would be current account surplus of USD 38.5 billion or 9.7 percent of GDP (or within a range of 9.4 - 10.0 percent of GDP) with trade surplus is expected to increase to USD 41.1 billion (or within a range of USD 40.8 – 41.4 billion) due to decelerated export of goods growth of -0.7 percent (or within a range of -1.0 to -0.4 percent), while import of goods contracted by greater amount at -4.5 percent (or within a range of -4.8 to -4.2 percent).