

**2Q18 GDP: More and more good news!**

Tuesday, August 21, 2018

**Highlights**

- **Cheers are likely in order for Thailand and its stellar growth print in 1H18.** Thailand's 2Q18 GDP growth was at a stellar 4.6% y/y (+1.0% qoqsa), the fastest year-on-year 2Q18 growth pace seen 2012. Moreover, 1Q18 GDP growth was revised higher from a previous print of 4.8% to 4.9%. In all, Thailand's GDP grew at a strong 4.8% y/y in the first half of 2018, a pace much higher than Bank of Thailand's 4.4% full-year target. Note that NESDB has left its growth outlook of 4.2% - 4.7% (midpoint of 4.5%) unchanged since the last projection, while narrowing its inflation outlook to a range of 0.9 – 1.4% from the previous estimate of 0.7 – 1.7%.
- **Growth was largely attributed to the acceleration in private consumption expenditure, external demand and investment.** Private consumption grew 4.5% in 2Q18, the fastest growth pace since 1Q13. Elsewhere, gross fixed capital formation expanded 3.6%, marking the fastest pace since 1Q16. On the production side, growth in the agricultural sector rose by 10.4% in 2Q18 (up from 6.5% in 1Q18) while non-agricultural sector decelerated marginally by 4.1% (down from 1Q18's 4.8%) given the slowdown in manufacturing and tourist related service sectors. The NESDB also cites that Thailand growth is to be supported by the "improvement of the global economy which will further enhance growth of export and key production sectors". Note that Thailand officials have also upgraded their export outlook to 10% in 2018, up from 8.9% in the previous publication.
- **We opine that Thailand's growth may likely slow into 2H18 for the following reasons:** (1) Thailand will see a higher 2H17 base as compared to 1H18 on the back of a relatively stronger external environment seen then, (2) agricultural production is prone to flooding conditions in the second half of 2018 as highlighted by NESDB and (3) sustained trade tariff concerns into the rest of the year could be effective risk factors should it intensify further. Still, the 1H18 growth pace at 4.8% y/y is no doubt a stellar print, and the continued global economic expansion should continue to support Thailand's external environment and manufacturing industries into the rest of 2018. Accounting for the higher-than-expected growth print, we upgrade our Thailand GDP outlook from 4.2% to 4.4%, and continue to pencil a one-time token 25bps hike by the Bank of Thailand at end 2018.

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