Thailand Outlook

OCBC Bank

It’s more than just ‘humming along’

Monday, 20 November 2017

Highlights

- **Thailand’s 3Q17 GDP growth surprised higher at 4.3% y/y (+1.0% qoqsa),** against our call for a 3.7% y/y (-1.7% qoqsa) print. This marks Thailand’s strongest GDP growth since 1Q13, suggesting that growth remains on track underpinned by the uptick in exports and a booming tourism industry. In view of the stellar growth print, the National Economic and Social Development Board (NESDB) pencilled in a 3.9% y/y growth for 2017, at the upper end of its previous growth range outlook of 3.5 – 4.0%. Into 2018, the agency highlighted its call for growth to range between 3.6 – 4.6%.

- **Delving into the details, growth appears to be broad-based.** The uptick in export print remains to be the key driver of growth at 7.4% y/y in 3Q17, clocking its strongest print since 4Q12. Importantly as well, private consumption being a key pillar of growth as it accounts for over 50% of GDP, continues to hum nicely at 3.1% y/y as the nation moves on from a year-long mourning period. The uptick in consumption suggests the improvement of income levels amid a tightening labour market at a mere 1.2% unemployment rate versus 1.32% seen in May amid against the relatively low inflation and interest rate environment.

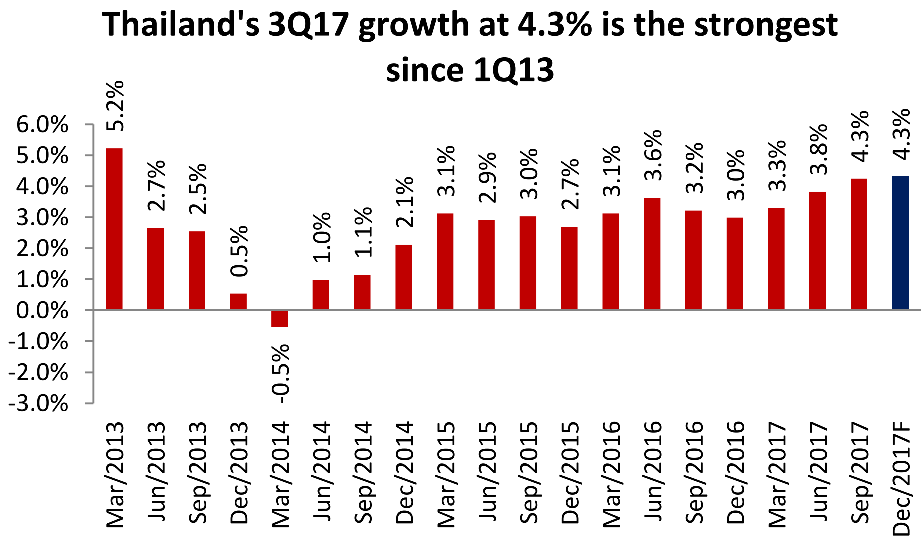
- **The uptick in manufacturing growth print to 4.3% in 3Q (vs 1.1% in 2Q) is the strongest since 19 quarters ago,** and is led largely by export-oriented industries including the F&B, Chemical & Chemical products, Rubber & Plastics, Electric Appliances and Motor Vehicles. This suggests that the transmission from strong export demand into Thailand’s domestic production industry is underway. Elsewhere, just when things can’t go any better, strong tourism arrivals continued to support overall growth, expanding for its third consecutive quarter at 6.4% in 3Q17, a rather gravity defying print even as 3Q16 base was seemingly strong at 13.4% y/y.

- **Thailand’s growth in the first 9 months of 2017 isn’t merely just humming along;** the recovery in its external environment and the positive spill-over effects into its domestic economy has allowed its export-oriented manufacturing industry to turn roaring back. These growth fundamentals should prove to be encouraging to both domestic and international confidence levels, especially given Thailand’s many years of lagging growth trend vis-à-vis its neighbours. Should these trends persist into 2018, growth could likely accelerate beyond how 2017 could herald, even as government infrastructure spending plan of THB1.5tn is slated to kick off next year on top of a tax break on year-end shopping which could further spur both domestic and tourist spending into December 2017.

Treasury Research
Tel: 6530-8384

Barnabas Gan
Tel: 6530-1778
BarnabasGan@ocbc.com

- **Accounting for the strong GDP growth seen of late, we raise our 2017 GDP outlook to 3.9%, up from a previous 3.5% outlook.** We had also previously upgraded our inflation outlook to 0.7% as of 8th November 2017, on the back of Oct's stronger-than-expected inflation print at 0.86% as energy prices ticked higher. With inflation risk remains to be almost non-existential versus official target of between 1 – 4%, we see a very low probability for the Bank of Thailand to hike interest rates anytime soon, although policy rate may need to play catch-up into 2018 should interest rates in developed economies normalises higher then.



Source: Bloomberg, Thailand NESDB, OCBC Bank

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