

Thailand

19 August 2019

Q2 GDP grows 2.3% yoy as exports bite

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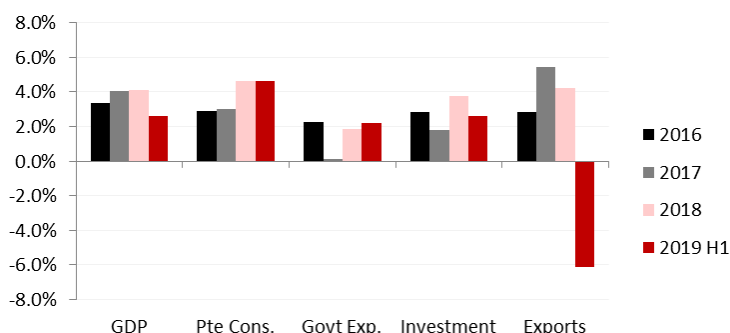
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- Q2 GDP rose 2.3% yoy, the slowest since Q3 2014.
- Exports (-6.1%) provided the largest drag to growth.
- A pickup in economic activity in Q4 may be forthcoming, given the latest set of fiscal stimulus is set to roll out by end of this month.
- We downgrade Thailand's 2019 growth to 2.8% from 3.2%.

1. Thailand's Q2 GDP rose 2.3% yoy as exports continue to bite

Thailand's Q2 GDP rose 2.3% in Q2 yoy, matching expectations and edging our forecasts of 2.2% yoy marginally. We had forecast exports in Q2 to post a contraction of -6.4%; the data eventually printed a slightly better figure of -6.1%, although a second consecutive yoy contraction and the third yoy contraction in four quarters hardly beget much optimism.

Overall, the stats from 1H point clearly to exports as the largest laggard to GDP growth. Private spending growth is at its highest since 2012. Government expenditure in 1H is at a three-year high and is set to grow faster in 2H after the cabinet unveiled the stimulus package yesterday. While investment growth at 2.6% is marginally a shade below the 3-year average, it is exports that have provided the largest drag to expansion. Poor electronics demand, US-China tensions and a drop in tourist arrivals have all contributed to the poor export figure. Slumping exports were one of the key highlights in the Bank of Thailand's August monetary press statement, and it is little surprise that the fiscal stimulus package is aimed at improving tourism and export prospects for the remaining of 2H and beyond.

Thailand GDP Expenditure YoY Growth

Source: CEIC, OCBC Bank

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2. Fiscal package is a timely shot for stimulating growth, especially tourism

The 316bn stimulus package unveiled last Friday – 50bn baht of which is newly allocated budget – came at a time when the Thai economy increasingly needs further stimulus to growth. This will be a timely shot up the arm for multiple sectors, especially tourism. The visa waiver proposal for Chinese and Indian tourists – if passed through cabinet – would likely result in a marked improvement in tourist arrivals, and is expected to cost the government 12-13bn THB in visa fees, according to the Bangkok Post. Tourism growth in 1H has proven lacklustre, having only grown 1.5% in tourist arrivals yoy; in contrast, tourist arrivals expanded 12.2% yoy in 1H 2018. Chinese tourists have declined 4.7% yoy in 1H, providing the largest stumbling block to tourism growth YTD.

Overall, the economic package looks well-targeted at tourism and its transmission into the real economy is likely to prove relatively straightforward. It may provide the catalyst for total tourist arrivals to finally cross the 40-million mark by 2020, if not by this year.



Source: CEIC, OCBC Bank

3. We downgrade Thailand 2019 growth forecast to 2.8%

We downgrade Thailand's 2019 growth forecast from 3.4% to 2.8% yoy, which is at the lower end of NESDC's growth forecast range of 2.7% to 3.2% yoy. Despite the stimulus package, we think the macroeconomic environment remains challenging for Thailand to post a growth rate of more than 3.0% this year. We estimate that the country may post a growth rate of 2.9% in 2H, which will even out 1H's growth rate of 2.6% to conclude the year at an expected 2.8%.

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