Thailand

18 November 2019

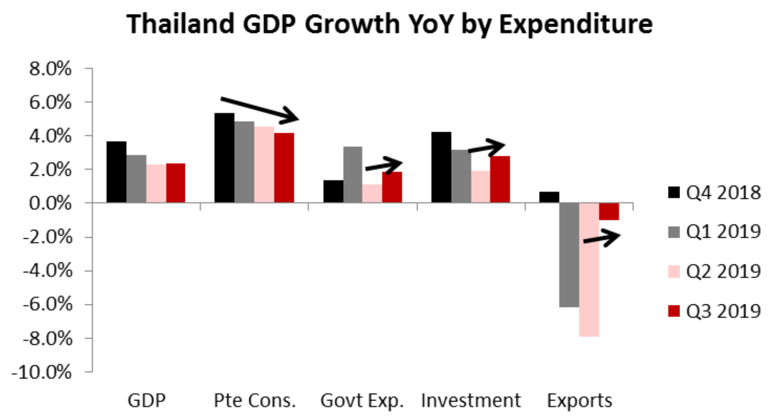
Q3 GDP grows 2.4% yoy, signs of stabilisation surfaces

Howie Lee
Economist
+65 6530 1778
howielee@ocbc.com

- **Thailand's Q3 GDP rose 2.4% yoy, below our estimate of 2.6% yoy.**
- **Consumption rose less than expected at 4.2% yoy (OCBC est: 4.4%).**
- **There are signs of stabilisation in investments and exports.**
- **We downgrade Thailand's 2019 growth to 2.7% from 2.8%.**

1. Thailand's Q3 GDP grew 2.4% yoy as consumption suffers.

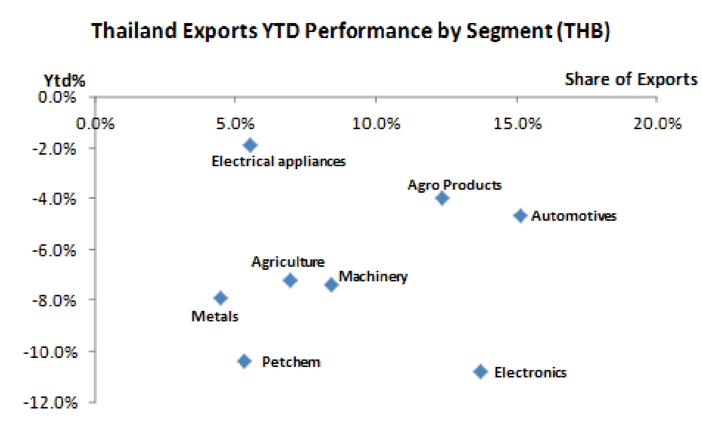
Thailand's Q3 GDP rose 2.4% yoy, coming in below expectations of 2.7% and our estimate of 2.6%. Government expenditure grew 1.8% yoy (OCBC est: 1.3%) while investments expanded 2.8% yoy (OCBC est: 2.9%), posting higher growth rates compared to Q2 (see graph below). Private consumption, however, slid to 4.2% yoy in Q3, marking the fourth consecutive quarter of falling growth in a segment that comprises about 50% of total GDP in Thailand. Exports remained in contraction, as largely expected, but the pace of slowdown has declined. The 316bn baht stimulus unveiled in August probably contributed to the better-than-expected government expenditure and investment segments. As it appears, it will still require more time for the effects of that stimulus to filter into household spending. Q4's private consumption growth would have to boast a number higher than Q3's 4.2% to prove that the stimulus is effective and that the Thai economy has bottomed out, after a year of monetary easing and expansionary fiscal policies.



Source: CEIC, OCBC Bank

2. Weak consumption shows external stresses creeping in domestically.

Q3's consumption has fallen to a five-quarter low of 4.2% yoy and is the third consecutive quarter that growth in this segment has fallen. Household consumption typically acts as a stable growth source for an economy, and is normally less sensitive to external vulnerabilities compared to trade and fixed capital formations. The falling growth rate in Thailand's household spending shows the stresses of the poor trade numbers – and subsequently the manufacturing industries, especially in electronics and automobiles – are starting to hurt domestic private expenditure. The fiscal stimulus in August and the planned 2.2tn baht budget for 2020 are steps in the right direction to arrest falling growth in consumption, but a turnaround in exports will be sorely needed beyond the reliance on fiscal impulses.



Source: CEIC, OCBC Bank

3. Exports might have bottomed out, but sharp rebound looks unlikely.

Total exports of goods and services contracted -1.0% yoy in September. Although still a contraction, the pace of slowdown has markedly improved, compared to Q1 (-6.1%) and Q2 (-7.9%). A look at the tourism arrivals in Q3 does appear to support that finding, as total visitors increased 7.2% yoy in Q3 – an encouraging rebound from Q1 (2.1%) and Q2 (1.4%). The return of Chinese visitors in Q3 drove this improvement, albeit the base from a year ago was subdued due to the Phuket ferry incident. Tourism, despite its huge importance, remains just one of several key drivers in Thailand's economy. A pickup in external demand of manufactured goods, especially electronics (which we are seeing traces of rebound globally) and automobiles, are needed to stem the three consecutive contractions in the exports. A V-shaped recovery in exports is unlikely given the protracted US-China tensions, but the signs in Q3 may suggest a bottoming out has begun.

Source: CEIC, OCBC Bank

4. We downgrade 2019 growth to 2.7%; 2020 constant at 2.9%.

The trickle-down effects of the 316bn baht programme in August are likely to continue working its way through the economy and should provide a boost to private consumption in Q4. Together with the rebound in investments and the stabilisation in exports, we think this provides a base for Thailand's economy to find its footing going into 2020. We estimate Q4 GDP growth at 3.1% yoy, which will bring about a full-year 2019 growth of 2.7% - a shade lower than our previous estimate of 2.8%. Our 2020 GDP growth rate remains unchanged at 2.9%.

Treasury Research & Strategy

Macro Research

Selena Ling
Head of Research & Strategy
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Wellian Wiranto
Malaysia & Indonesia
WellianWiranto@ocbc.com

Terence Wu
FX Strategist
TerenceWu@ocbc.com

Howie Lee
Thailand, Korea & Commodities
HowieLee@ocbc.com

Carie Li
Hong Kong & Macau
carierli@ocbcwh.com

Dick Yu
Hong Kong & Macau
dicksnyu@ocbcwh.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei
Credit Research Analyst
WongHongWei@ocbc.com

Seow Zhi Qi
Credit Research Analyst
ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W