



THAI ECONOMY PROJECTED TO GROW 4.0% IN 2018, ON THE BACK OF EXPANDING PUBLIC AND PRIVATE INVESTMENT.

Key Points

- ▶ The Thai economy is projected to grow 4.0 percent in 2018, supported by public and private investment.
- ▶ The Thai Baht hit an over three-year high of THB32.20/USD, January 4, 2018, on a weakening US Dollar.
- ▶ Global crude oil prices have climbed to their highest levels in two and a half years amid geopolitical tensions in Iran.

2017 Thai Economic Performance

The external sector remained Thailand's key economic driver in November 2017.

Exports saw a rise of 13.4 percent, thanks to a wave of recovery in the global economy. The number of international tourist arrivals to Thailand also surged by 23.3 percent, due partly to last year's crackdown on Chinese zero-dollar tours but also by growing traffic of tourists from new countries and segments.

Domestic economic performance remains sluggish, with private investment being put on the back burner and overall household spending stalling. Though household spending is being driven to some extent by more passenger car purchases, spending

for the grassroots population is still in a fragile state as farm income continues to contract.

The average price of goods and services increased 0.66 percent in 2017, against a 0.19 percent rise reported for 2016, as energy and electricity rates rose in line with global crude oil prices. The government's excise tax restructuring also drove up the prices of tobacco and beverages.

In the meantime, certain external factors have had quite an impact on Thailand's economic and financial performance. On January 4, 2018, the Baht hit an over three-year high of THB32.2/USD, a surge that is in line with other regional currencies as the US Dollar weakened.

Moreover, global crude oil prices had soared to their highest levels in two and a half years amid ongoing political tensions in Iran. Looking ahead, businesses should keep an eye on the movement of global crude oil prices as the prices of certain domestic products may rise further if the crude price surge continues.

NOVEMBER 2017 ECONOMIC INDICATOR UPDATE (Y-O-Y CHANGE)



Looking Ahead to 2018

For 2018, we can expect the Thai economy to advance by around 4.0 percent, buoyed by public and private investment.

A significant amount of public investments are set to be disbursed within 2Q18, while private investment may get a push from the enforcement of the Eastern Special Economic Zone Act beginning in early 2018. Exports and tourism should continue on their upward momentum and drive the economy forward. However, with such a high 2017 base, we may see slower growth.

Still, given that the Thai economic performance is expected to be so dependent on public investment, **there is a risk that growth will slow if there are any delays in budgetary disbursements.** Moreover, despite the government's move to sustain the purchasing power of those in the lower income brackets, household purchasing power overall may still be inhibited by unemployment, ebbing farm income and persistently high household debt.

+ Positive Influence	- Negative Influence
<ul style="list-style-type: none">• Public investment projects expected• Enforcement of Eastern Special Economic Zone Act• Continued recovery in exports• Sustained growth in tourism	<ul style="list-style-type: none">• Possible delays in budget disbursement• Lower purchasing power of grassroots population• Unemployment• High household debt

Disclaimer

This research paper is arranged for public information, which has been obtained from sources believed to be reliable. KResearch does not warrant its completeness, reliability or accuracy for commerce or fitness for a particular purpose. The information contained herein may be subject to change at any time without notice. Reliance upon any information contained herein shall be undertaken at a user's own risk KResearch shall not be liable to any user, or anyone else for any damage occurring from the use of any content herein. Nothing in this research paper shall be counted as containing any advice, recommendation or opinion for decision making in business.

