



## The Thai Economy in Q2/2019 and the Outlook for 2019

The Office of the National Economic and Social Development Council (NESDC) announced that the Thai Gross Domestic Product (GDP) in the second quarter and the economic projection for 2019 as follows:















### The Thai Economy in Q2/2019

The Thai Economy in the second quarter of 2019 expanded by 2.3 percent compared with 2.8 percent in the previous quarter. After seasonally adjusted, the economy grew by 0.6 percent from the first quarter (%QoQ sa). In the first half of 2019, the Thai economy grew by 2.6 percent.

**On expenditure side:** the main supporting factors were expansions of private consumption, private investment, and government expenditure while export of goods declined. **Private consumption expenditure** grew by 4.4 percent, continuing from 4.9 percent in the previous quarter supported by remained low inflation, interest rate, and unemployment rate, together with the government measures to assist low-income people including increasing in major crop price. The expansion was in line with growth rates of household electricity consumption index, sales of benzene gasohol and diesel index, and retail sales index on semi-durable product of 17.2 percent, 4.7 percent, and 3.5 percent respectively. Nevertheless, sales of commercial cars and sales of passenger cars expanded by 5.4 percent and 1.7 percent in the second quarter, slowing from 10.6 percent and 12.3 percent in the first quarter. The Consumer Confidence index was at 64.8 compared with 68.1 in the previous quarter. **Government consumption expenditure** grew by 1.1 percent compared with 3.4 percent in the previous quarter. The disbursement rate in this quarter was 19.7 percent lower than 22.8 percent in the same quarter last year. **Total investment** grew by 2.0 percent compared with 3.2 percent in the first quarter. **Private investment** increased by 2.2 percent slowing down from 4.4 percent in the previous quarter due to 2.5 percent growth of investment in machinery and equipment, and 0.9 percent growth of investment in construction. Meanwhile, public investment expanded by 1.4 percent where government investment exhibited the expansion of 5.9 percent while SOEs' investment contracted by 5.0 percent. The disbursement rate of capital budget in this quarter was 14.4 percent lower than 15.6 percent in the previous quarter and 17.0 percent in the same quarter last year.

**Export of goods** was recorded at 60.55 billion USD, with a negative growth of 4.2 percent continuing from a contraction of 4.0 percent in the first quarter due to the broader-based slowdowns in major trading partners and the escalating in the trade protectionism measures. The export volumes decreased by 4.4 percent while the export price raised by 0.2 percent. Export items with increased value included, vehicle parts and accessories (1.0 percent), air conditioner (10.6 percent), and fruits (39.0 percent). On the contrary, export items with decreased value included rice (-23.9 percent), cassava (-8.5 percent), rubber (-11.8 percent), passenger cars (-12.9 percent), petrochemical products (-6.2 percent), and petroleum products (-14.2 percent). For export markets, exports to China, Japan, ASEAN-9, EU-15, Australia and the Middle East-15 declined while exports to the US continued to grow. Export values excluding gold decline by 5.8 percent. Export value in Baht term dropped by 5.3 percent.

### Growth of Exports and Real GDP in Key Economies

%YoY	Exports			Real GDP			
	2018	2019		2018	2019		
	Year	Q1	Q2	Year	Q1	Q2	Lowest in
US 	7.8	1.4	-3.0	2.9	2.7	2.3	8 quarters, since Q3/17
Eurozone 	8.4	-3.9	-3.4	1.9	1.2	1.1	22 quarters, since Q1/14
Japan 	5.7	-5.7	-6.2	0.8	1.0	1.2	-
China 	9.9	1.3	-1.0	6.6	6.4	6.2	110 quarters, since Q1/92
Hong Kong 	6.8	-2.6	-4.6	3.0	0.6	0.5	39 quarters, since Q4/09
India 	8.7	6.7	-1.7	7.4	5.8	-	Q1 - 20 quarters, since Q2/14
Indonesia 	6.7	-8.2	-8.9	5.2	5.1	5.0	10 quarters, since Q1/17
South Korea 	5.4	-8.5	-8.6	2.7	1.7	2.1	-
Malaysia 	13.6	-4.8	-4.6	4.7	4.5	4.9	-
Philippines 	0.9	-2.9	1.2	6.2	5.6	5.5	17 quarters, since Q2/15
Singapore 	10.3	-2.7	-6.5	3.1	1.1	0.1	40 quarters, since Q3/09
Taiwan 	5.9	-4.2	-2.6	2.6	1.8	2.4	-
Thailand 	7.5	-4.0	-4.2	4.1	2.8	2.3	19 quarters, since Q4/14
Vietnam 	13.3	5.1	9.2	7.1	6.8	6.7	8 quarters, since Q3/17

Source: CEIC, compiled by Office of the National Economic and Social Development Council

**On Production side:** the agriculture and the manufacturing sectors declined, while the accommodation and food service activities and the transportation and storage sectors decelerated from the previous quarter. However, the construction and the electricity, gas, steam and air conditioning supply continuously increased.

**The Agriculture, forestry and fishing sector** decreased by 1.1 percent, compared to the expansion of 1.7 percent in the previous quarter, owing to a reduction in major crop production which caused by drought and dry spell. At the same time, agricultural price increased for the first time in 9 quarters, which, in turn, raised farmer income for the second consecutive quarters. Major agriculture products with a contraction production were, for example, (i) paddy (-15.3 percent) and (ii) sugarcane (-65.3 percent). However, major agricultural products with an expansion in production included, for example, rubber, cassava and oil palm. Meanwhile, the production of livestock and fishery increased. The Agriculture Price Index increased by 2.0 percent, improving from a reduction of 0.7 percent in the previous quarter, owing to increases in prices of swine (26.1 percent), rubber (9.5 percent), and fruits and vegetables (9.3 percent). This increase in the Agricultural Price Index caused the Farm Income Index to increase by 0.4 percent. **The manufacturing sector** declined by 0.2 percent, compared with an increase of 0.6 percent in the previous quarter. This was in line with export reduction, caused by the global economic slowdown and trade protection measures. The Manufacturing Production Index of those export-oriented industries (with export share of more than 60 percent to total production) decreased by 7.5 percent and the Manufacturing Production Index of those domestic-oriented industries (with export share between 30 - 60 percent of total production) increased by 0.8 percent. The average capacity utilization rate stood at 65.58 percent, down from 68.16 percent in the same quarter of last year. Meanwhile, the industries with negative growth of Manufacturing Production Index were rubber products (-16.9 percent), sugar (-24.8 percent), and jewelry and related articles (-34.3). The industries with positive growth of Manufacturing Production Index were other general-purpose

machinery (13.9 percent), and palm oil (23.7 percent). **The accommodation and food service activities sector** expanded by 3.7 percent, slowing from an increase of 4.9 percent in the previous quarter. This was in line with a deceleration of foreign tourist numbers, a slow expansion of income base, and a gradual deceleration in household consumption. For this quarter, the number of foreign tourist registered at 8.97 million persons, with an expansion of 1.1 percent compared with a 1.8 percent growth in the previous quarter. When combined with the continually expand Thai tourists, the tourism receipt was at 708.3 billion baht in this quarter, increasing by 2.4 percent, which was the same growth as last quarter. The increase in tourism receipt was attributed by (i) foreign tourism receipts of 448.4 billion baht, with 1.6 percent growth and mainly contributed by high growth of tourism receipts from India, Malaysia, Japan, UK and the US; and (ii) Thai tourism receipts of 259.8 billion baht, increasing by 3.9 percent. Besides, the average occupancy rate was at 69.83 percent, declining from 70.37 percent in the previous quarter. **The transportation and storage sector** grew by 2.5 percent, slowing down from 3.5 percent in the previous quarter. This was due to the stagnated in international transportation and the decline in manufacturing production sector. Water transportation declined by 1.9 percent while land transport and air transport still increased by 3.9 percent and 1.5 percent respectively. Besides, support activities for transportation and postal services expanded by 4.4 percent, and 2.7 percent, in line with the increasing in entrepreneurs' revenue.

### **The Thai Economic Outlook for 2019**

The Thai economy in 2019 is projected to expand by 2.7 – 3.2 driven mainly by (1) a favorable growth momentum of domestic demand both private expenditure and private investment; (2) a gradual recovery of export conditions in the second half of the year following the clearer adjustment of export and production sectors amid more intensified trade tensions; (3) key government stimulus measures; and (4) low growth base for the latter half of the year. In all, it is expected that export value will decline by 1.2 percent while private expenditure and total investment will grow by 4.2 and 2.8 percent respectively. Inflation will lie in the range of 0.7- 1.2 percent and the current account will register a surplus of 5.9 percent to GDP.

Key growth components include as follows:

1) **Consumption: Private consumption expenditure** is expected to grow by 4.2 percent, the same rate as previously estimated, and continuing from 4.6 percent in 2018. Over the first half of 2019, private consumption showed a high growth of 4.6 percent and tends to continue its expansion in the second half supported mainly by low interest rate, inflation and unemployment together with more monetary policy easing which had accordingly made many large commercial banks adjust their rates downwardly. Additional supports also include the government measures to assist low-income people and the launch of new car model in the second half of the year. (2) **Government expenditure** is estimated to grow by 2.2 percent, the same rate as in the previous projection, accelerating from 1.8 percent in 2018. This is in line with disbursement of current budget in the first 9 months of FY2019 of 80.0 percent, higher than 75.4 percent in 2018.

2) **Total investment** is expected to grow by 3.8 percent, compared with 4.5 percent in the previous estimate, while similar to 3.8 percent in 2018. Public investment is projected to expand by 4.0 percent, a downward revision from 4.5 percent in the previous projection. The revision was mainly due to a downward revision of assumption on disbursement rate of capital budget in FY 2019 and a downward revision of disbursement rate of state-owned enterprises (SOEs) to be in line with the disbursement rate in the first 9 months of FY2019. However, it is expected that public investment over the remainder of the year tends to grow at a faster rate

following progresses of key public infrastructure investment projects. Private investment is expected to expand by 3.7 percent, downwardly revised from 4.5 percent in the previous projection and lower than 3.9 percent in 2018. The revision was as a result of declining trend of capacity utilization rates of key export-oriented industries which thus soften investment for production expansion. Nevertheless, private investment in the second half is expected to improve as a result to the investment expansion under PPP projects and growing prospects of new investment as observed in data of private construction in industry factories in the second quarter that grew by 9.0 percent, in line with higher value of investment promotion applications of 42.4 percent and 32.7 percent in 2018 and the second quarter of 2019, particularly those investment in the Eastern Economic Corridor (EEC) area with high growth of 137.4 percent and 74.3 percent respectively.

3) **Export value of goods** in US dollar term is anticipated to decline by 1.2 percent, compared with a 7.5-percent growth in 2018. This is a decrease from 2.2 percent growth in the previous estimation. The revision is due to the downward revision of export volume of goods from increasing by 1.2 percent to declining by 1.7 percent, as a consequence of the readjusted expected world economic and trade volume growth to be consistent with the slowdown of trading partner economies as well as the intensifying pressures from trade protection measures. In addition, the adjustment is also consistent with the downward revision of export prices from increasing by 0.5 – 1.5 percent to 0.0 – 1.0 percent, in line with the revised Dubai oil price assumption. After considering together with the export of services which tend to slowdown following the revised assumption on the number of tourists and tourism receipts, it is therefore projected that the export quantity of goods and services will fall by 0.7 percent, compared with a 4.2-percent growth in 2018 and a 2.3-percent growth in the previous forecast.

### **Economic Management for the remainder of 2019**

The macroeconomic policy management in the year 2019 should put emphasis on the following issues:

**(1) Fostering exports expansion** to reach the target of at least 3.0 percent, mainly by: (i) fostering export of goods which are potentially benefiting from the trade protection measures in both the US's and China's markets, (ii) seeking export opportunities from the current swine flu outbreak and China's halt on its import duty exemption under its trade protection measures; (iii) assisting exporters impacted from the trade protection measures through the supply chain so that they could promptly redirect their exports to other markets; (iv) monitoring changes in key import products which are subjected to the tariffs imposed by the US and China, as they could be re-channeled to the Thai market; (v) operating foreign trade policies to closely abide by the world trade rules and key trading partners' regulations, especially those relevant to special trade preferences and trade protection measures; (vi) extending new trade agreements, especially with the economies which potentially become key players in the international supply chain; and (vii) facilitating exporting processes and reducing costs.

**(2) Supporting the recovery and sustaining the expansion of the tourism sector**, by penetrating market in high-income Chinese tourists, conducting tourism campaign activities, promoting tourism packages which target long-distance tourists and high-income tourists, and encouraging Thai tourists to travel domestically.

**(3) Expediting the budget disbursement** particularly on: (i) the FY2019 government's capital budget to reach no less than 60.0 percent disbursement rate; (ii) fastening the FY2020 carry-over budget disbursement not to be less than 70.0 percent; (iii) accelerating the FY2020 budgeting process; and (iv) speeding up the implementation of infrastructure projects.

**(4) Encouraging private investment** by: (i) fostering exports to drive capacity utilization in manufacturing; (ii) supporting those entrepreneurs affected by the trade protection measures to expand their production in Thailand as well as encouraging affected investors to relocate their production base to Thailand; (iii) continuously fostering key public investment projects; (iv) facilitating, monitoring, and propelling important investment projects, both those applied and those already approved for the investment promotion, to be promptly operated; and (v) readying the labor force both in terms of quantity and quality.

**(5) Strengthening small farmers, the labor force, low income groups, SMEs, and economies.**

**(6) Ensuring the country's stable political conditions as well as restoring the overall economic sentiments.**

Office of the National Economic and Social Development Council

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Table 1 GDP, Production Side

%YoY	2018							2019		
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
<b>Agriculture</b>	5.1	8.5	1.7	6.8	10.5	3.2	0.7	0.4	1.7	-1.1
<b>Non-Agriculture</b>	4.0	4.5	3.6	4.8	4.2	3.1	4.0	2.8	2.9	2.6
Manufacturing	3.0	3.4	2.6	3.7	3.1	1.5	3.5	0.2	0.6	-0.2
<b>Service</b>	4.8	5.3	4.3	5.7	4.9	4.2	4.4	3.8	4.0	3.5
Construction	2.7	1.5	4.0	1.2	1.9	4.5	3.4	3.2	3.0	3.4
Wholesale and Retail Trade	7.3	7.2	7.5	7.0	7.4	7.5	7.5	6.4	6.8	5.9
Transportation and Storage	5.7	6.3	5.0	7.1	5.4	4.5	5.4	3.0	3.5	2.5
Accommodation and Food Service Activities	7.9	11.0	4.7	13.1	8.8	4.1	5.3	4.3	4.9	3.7
Information and Communication	6.8	6.4	7.2	5.2	7.7	7.4	6.9	7.9	6.5	9.3
Financial and Insurance Activities	3.3	4.1	2.5	3.5	4.6	3.1	1.8	1.9	2.0	1.8
<b>GDP</b>	4.1	4.8	3.4	5.0	4.7	3.2	3.6	2.6	2.8	2.3
<b>GDP_SA (QoQ)</b>	-	-	-	1.9	1.1	-0.2	0.9	-	1.0	0.6

Source: Office of the National Economic and Social Development Council

Table 2 GDP, Expenditure Side

%YoY	2018							2019		
	Y	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
<b>Private Consumption</b>	4.6	4.0	5.3	3.8	4.1	5.2	5.4	4.6	4.9	4.4
<b>Government Consumption</b>	1.8	2.0	1.6	1.8	2.3	1.9	1.4	2.2	3.4	1.1
<b>Investment*</b>	3.8	3.5	4.1	3.3	3.6	3.9	4.2	2.6	3.2	2.0
Private	3.9	3.1	4.7	3.1	3.1	3.8	5.5	3.3	4.4	2.2
Public	3.3	4.4	2.2	4.0	4.9	4.2	-0.1	0.6	-0.1	1.4
<b>Exports</b>	4.2	8.8	-0.1	8.0	9.6	-0.9	0.7	-6.1	-6.1	-6.1
Goods	4.1	8.4	0.2	7.2	9.5	-0.5	0.8	-5.8	-5.9	-5.8
Services	4.4	10.1	-1.1	9.9	10.3	-2.2	0.0	-7.1	-7.2	-7.0
<b>Imports</b>	8.6	9.0	8.3	9.1	8.8	11.0	5.7	-1.4	-0.1	-2.7
Goods	8.1	9.1	7.2	10.4	7.9	9.9	4.5	-3.0	-2.6	-3.4
Services	10.7	8.3	13.1	3.9	12.8	16.1	10.4	5.2	10.6	0.1
<b>GDP</b>	4.1	4.8	3.4	5.0	4.7	3.2	3.6	2.6	2.8	2.3

Note: \* Investment means Gross Fixed Capital Formation

Source: Office of the National Economic and Social Development Council

Projection for 2019<sup>1/</sup>

	Actual Data		Projection for 2019	
	2017	2018	May 21, 2019	Aug 19, 2019
GDP (at current prices: Bil. Bht)	15,452.0	16,318.0	17,133.9	17,003.4
GDP per capita (Bht per year)	228,398.3	240,568.7	252,006.6	250,086.5
GDP (at current prices: Bil. USD)	455.3	505.0	542.2	545.0
GDP per capita (USD per year)	6,729.8	7,445.4	7,974.9	8,015.6
GDP Growth (CVM, %)	4.0	4.1	3.3 – 3.8	2.7 – 3.2
Investment (CVM, %) <sup>2/</sup>	1.8	3.8	4.5	3.8
Private (CVM, %)	2.9	3.9	4.5	3.7
Public (CVM, %)	-1.2	3.3	4.5	4.0
Private Consumption (CVM, %)	3.0	4.6	4.2	4.2
Government Consumption (CVM, %)	0.1	1.8	2.2	2.2
Export volume of goods & services (%)	5.4	4.2	2.3	-0.7
Export value of goods (Bil. USD)	233.7	251.1	257.7	248.1
Growth rate (%) <sup>3/</sup>	9.5	7.5	2.2	-1.2
Growth rate (Volume, %) <sup>3/</sup>	5.6	3.9	1.2	-1.7
Import volume of goods & services (%)	6.2	8.6	2.6	-0.5
Import value of goods (Bil. USD)	201.1	228.7	237.9	225.1
Growth rate (%) <sup>3/</sup>	13.2	13.7	3.5	-1.6
Growth rate (Volume, %) <sup>3/</sup>	7.3	7.7	2.0	-2.1
Trade balance (Bil. USD)	32.6	22.4	19.9	23.0
Current account balance (Bil. USD)	44.1	32.4	32.2	32.2
Current account to GDP (%)	9.7	6.4	5.9	5.9
Inflation (%)				
CPI	0.7	1.1	0.7 – 1.2	0.7 - 1.2
GDP Deflator	2.1	1.4	1.1 – 1.6	0.9 - 1.4

Source: Office of the National Economic and Social Development Council, 19<sup>th</sup> August 2019

Note: <sup>1/</sup> Data were calculated based on new National Accounts Office's series, published on [www.nesdc.go.th](http://www.nesdc.go.th).

<sup>2/</sup> Investment means Gross Fixed Capital Formation.

<sup>3/</sup> Export and import base on the Bank of Thailand's data.