



Thailand's Economic Outlook Projections for 2014-2015

The Thai economy in 2014 is projected to grow within a range of 1.2 - 1.7 percent with continuing recovery in 2015.

Mr. Krisada Chinavicharana, the Director-General of the Fiscal Policy Office (FPO), announced Thailand's economic projections for 2014-2015 (As of October 2014) stating that **“the Thai economy in 2014 is projected to grow within a range of 1.2 – 1.7 percent. The latter half year of 2014 is expected to grow at 2.9 percent due to the greater political clarity and planned government's economic recovery measures during that period which are expected to support domestic absorption, especially the private consumption and the private investment to be expanded in the last quarter of 2014. Furthermore, public consumption will be the main driving factor, and continuously support Thai economic recovery this year, especially budget disbursement that could be accelerated and implemented timely. Nevertheless, the downtrend revision of the economic projection for 2014 from the previous announcement as of July 2014 comes from the recent developments that merchandise exports and international tourism have recovered at a slower rate than expected, partly as a consequence of slowing economic recovery of Thailand's major trading partners, especially the Eurozone. Furthermore, export prices, particularly those of agricultural products, are at the low levels. With regard to internal stability, headline inflation in 2014 is anticipated to be 2.1 percent (or within a range of 1.9 – 2.4 percent), lower than that of the previous year, due to the decreasing prices of energy and consumer products in the world market, as a result of a slowdown in global demand for energy while there is an increase in global supply of oil, and government control on oil prices.**

The Fiscal Policy Office expects the Thai economy in 2015 to grow at an increasing rate at 4.1 percent (or, within a range of 3.6 – 4.6 percent) due mainly to anticipated increase in public expenditure, especially from investment projects on infrastructure in transport sector and the state enterprises' investment, of which will be continuously disbursed. Also, the external demand is expected to grow further, following anticipated rise in number of international tourists after political clarity. Moreover, private consumption and investment are expected to increase from the overall economic recovery and clear government policies, which will raise the confidence of consumers and investors. For internal stability, it is anticipated that the headline inflation in 2015 will be at 2.2 percent (or, within a range of 1.7-2.7) rather similar to the previous year, according to the stable global crude oil prices.

The Director-General of the FPO also added that **“For the economic projections, several risk factors should be taken into account, such as to revival of the confidence and image among tourists the fragile economic recovery of major trading partners especially the Eurozone and low agricultural prices”**

Major Assumptions and Economic Projections of 2014 - 2015 (As of Oct 2014)

	2012	2014f (As of Oct 14)		2015f (As of Oct 14)	
		Average	Range	Average	Range
Major Assumptions					
<i>Exogenous Variables</i>					
1) Average Economic Growth Rate of Major Trading Partners (percent y-o-y)	3.7	3.7	3.5 – 4.0	3.8	3.3-4.3
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	105.1	101.0	99.0-103.0	100.0	95.0-105.0
3) Export prices in U.S. dollar (percent y-o-y)	-0.5	-1.0	-1.5 to -0.5	-0.5	-1.5 to 0.5
4) Import prices in U.S. dollar (percent y-o-y)	-2.1	-0.9	-1.4 to -0.4	-0.5	-1.5 to 0.5
<i>Policy Variables</i>					
5) Exchange Rate (Baht per U.S. dollar)	30.7	32.4	32.2-32.6	32.7	31.7-33.7
6) Repurchase Rate (Policy Rate) at year-end (percent)	2.25	2.00	2.00-2.00	2.00	1.5-2.50
7) Fiscal-Year Public Expenditure (Trillion Baht)	3.03	3.21	3.20-3.22	3.47	3.46-3.48
8) Number of international tourists	26.5	24.7	24.2-25.2	28.0	27.0-29.0
Projections					
1) Economic Growth Rate (percent y-o-y)	2.9	1.4	1.2-1.7	4.1	3.6-4.6
2) Real Consumption Growth (percent y-o-y)	1.1	1.9	1.7-2.2	3.7	3.2-4.2
- Real Private Consumption	0.3	1.4	1.2-1.7	3.7	3.2-4.2
- Real Public Consumption	4.9	4.5	4.3-4.8	3.6	3.1-4.1
3) Real Investment Growth (percent y-o-y)	-2.0	-2.1	-2.6 to -1.6	8.6	7.6-9.6
- Real Private Investment	-2.8	-3.0	-3.5 to -2.5	8.0	7.0-9.0
- Real Public Investment	1.3	1.0	0.5-1.5	10.7	8.7-12.7
4) Export Volume of Goods and Services (percent y-o-y)	4.2	-0.1	-0.6 to 0.4	6.5	5.5-7.5
5) Import Volume of Goods and Services (percent y-o-y)	2.3	-2.9	-3.4 to -2.4	9.6	8.6-10.6
6) Trade Balance (billion U.S. dollar)	6.7	19.4	18.0-20.2	7.5	4.5-10.5
- Export Value of Goods in U.S. dollar (percent y-o-y)	-0.2	0.1	-0.2 to 0.4	3.5	1.5-5.5
- Import Value of Goods in U.S. dollar (percent y-o-y)	-0.5	-5.7	-6.0 to -5.5	9.6	7.9-11.6
7) Current Account (billion U.S. dollar)	-2.5	9.0	8.5-9.5	0.3	-0.7 to 1.3
- Percentage of GDP	-0.7	2.2	2.1-2.3	0.1	-0.1 to 0.3
8) Headline Inflation (percent y-o-y)	2.2	2.1	1.9-2.4	2.2	1.7-2.7
Core Inflation (percent y-o-y)	1.0	1.6	1.4-1.9	1.6	1.1-2.1
9) Unemployment Rate (percentage of total labor force)	0.7	0.9	0.8-1.0	0.8	0.7-0.9

f = forecast by Fiscal Policy Office, Ministry of Finance, Thailand, Tel: 0-2273-9020

Attachment: Thailand's Economic Projections 2014-2015

1. Economic Growth

The Thai economy in 2014 is projected to grow at an annualized rate of 1.4 percent (or, within a range of 1.2 – 1.7 percent). The latter half year of 2014 is expected to grow at 2.9 percent due to the political clarity and the intended government's economic recovery measures during that period which are expected to support the Thai economy to expand in the last quarter of 2014. Private consumption is expected to expand at 1.4 percent (or, within a range of 1.2-1.7 percent), growing at the accelerated rate comparing to the previous year from the regaining confidence after the political clarity. Furthermore, various supportive government policies also will support consumption e.g. debt repayment for rice farmers under the rice pledging scheme, cost cutting measure for rice farmers and rubber price support measures. While private investment is expected to continue to contract at the rate of -3.0 percent (or, within a range of -3.5 to -2.5 percent), partly because the private sector is still waiting for the direction of the economic recovery and investment for export-oriented productions is delayed during the period of low merchandise export. Meanwhile, the public consumption will be the main driving factor, which will continuously support Thai economic recovery this year, especially with accelerated budget disbursement. Public consumption is expected to increase at 4.5 per cent (or, within a range of 4.3 to 4.8 percent) and public investment is expected to grow at 1.0 percent (or, within a range of 0.5 to 1.5 percent). Nevertheless, the volume of export of goods and services is expected to contract at the rate of -0.1 percent (or, within a range of -0.6 to 0.4 percent). This is because merchandise exports and international tourism recover at a slower rate than expected, partly as a consequence of slow economic recovery of Thailand's major trading partners, especially the Eurozone. Furthermore, export prices, particularly those of agricultural products, are at the low levels. While the volume of import of goods and a service is expected to contract at the rate of -2.9 percent (or, within a range of -3.4 to -2.4 percent), following the lower domestic demand.

2. Economic Stability

For internal stability, headline inflation in 2014 is likely to be 2.1 percent (or within a range of 1.9 – 2.4 percent), due to the decreasing prices of energy and consumer products in the world market, as a result of a slowdown in global demand for energy while there is an increase in global supply of oil and government control on oil prices. Unemployment is expected to be 0.9 percent of the total labor force (or within a range of 0.8 – 1.0 percent). On external stability, the current account in 2014 is projected to record a surplus of USD 9.0 billion, or 2.2 percent of GDP (or within a range of 2.1 – 2.3 percent of GDP) as estimated trade balance is expected to increase slightly to USD 19.4 billion (or within a range of USD 18.0 – 20.2 billion)

2. Thai Economy in 2015

2.1. Economic Growth

The Thai economy in 2015 is projected to expand at an annualized rate of 4.1 percent (or, within a range of 3.6 – 4.6 percent). The acceleration of economic growth in 2015 will mainly be driven by private consumption expansion, export revival, and substantial investment by the government sector. Private consumption is projected to expand faster at a rate of 3.7 percent (or within a range of 3.2 – 4.2 percent), because of higher non-farm income and positive employment situation from better economic situation, especially in manufacturing and tourism sector. Furthermore, the consumer confidence will help support private consumption to expand continuously. However, the low level of farmer income, due to decreasing world agricultural prices, could be the obstacle to private consumption revival. Likewise, Private investment is forecasted to continue to expand at a rate of 8.0 percent (or within a range of 7.0 - 9.0 percent). The factors that could support the expansion of private investment include export revival as well as the necessity to invest in production restructuring in order to cope with the labor mismatch problem. In 2014, government spending will continue to be the key growth driver for the Thai economy. Government consumption is forecasted to grow at a rate of 3.6 percent (or within a range of 3.1 - 4.1 percent), while government investment is projected to expand at 10.7 percent (or within a range of 8.7 - 12.7 percent). The disbursement rate of the investment plan is anticipated to be expedited and it is highly likely that the disbursement of the infrastructure investment plan will be able to begin in 2015. In terms of international trade, it is anticipated that exports of goods and services will recover and grow faster than those in 2014, from the global economic recovery, especially Thailand's main trading partners, including the US. Moreover, the outlook for the tourism sector is expected to gain more positive due to political clarity, reflecting from the cancellations of Travel Advisory by many countries. Therefore, the quantity of exports of goods and services is projected to expand at a rate of 6.5 percent (or within a range of 5.5 - 7.5 percent). The quantity of import of goods and services is projected to expand at an accelerated rate of 9.6 percent (or within a range of 8.6 - 10.6 percent) as a result of private consumption expansion, revival of the export sector, and large government investment projects.

2. Economic Stability

For internal stability, headline inflation in 2014 is likely to rise to 2.2 percent (or within a range of 1.7 – 2.7 percent), higher than that of the previous year, due to the higher private demand. However, the world crude oil price is still decreasing which could lower the cost-push inflationary pressure to some extent. Unemployment is expected to be 0.8 percent of the total labor force (or within a range of 0.7 – 0.9 percent). On external stability, the current account in 2014 is projected to record a surplus of USD 0.3 billion, accounting for 0.1 percent of GDP (or within a range of -0.1 – 0.3 percent of GDP) as the estimated trade balance is expected to decrease slightly to USD 7.5 billion (or within a range of USD 4.5 – 10.5 billion)