



## **Thailand's Economic Outlook Projection 2013 and 2014**

**The Thai economy in 2013 is projected to grow at 2.8 percent,**  
**and likely to expand more in 2014**

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Dr. Somchai Sajjapongse, the Director-General of the Fiscal Policy Office (FPO) announced Thailand's economic projections as of December 2013 stating that **“the Thai economy in 2013 is projected to grow at an annualized rate of 2.8 percent, lower than the earlier projection of 3.7 percent, from the slow global economic recovery which affects the demand for Thai exports. Domestic demand, both private consumption and private investment, will also likely slow down, following the decline in consumer and business confidence which makes the private sector cautious of spending and investment. Moreover, public investment is likely to be lower than expected, from delays in budget disbursements and disbursements for the water resource management plan. Nevertheless, exports of goods and services are anticipated to grow at a faster pace compared to last year, mainly from expanding exports of services due in part to an increase in the number of foreign tourists visiting Thailand. With regard to internal stability, headline inflation in 2013 is anticipated to be 2.2 percent, lower than that of the previous year, due to lower private demand and declining prices of world crude oil and commodity products, as a result of lower global demand.**

For 2014, the Fiscal Policy Office anticipates that economic growth is likely to continuously expand at a rate of 4.0 percent (or within a range of 3.5 - 4.5 percent), lower than the previous projection of 5.1 percent, from the delay in public investment, especially the water resource management plan which is bound by the Administrative Court's order to call for a public hearing and the infrastructure plan which needs to be postponed awaiting for the decision by the Constitutional Court. Furthermore, the dissolution of the Parliament could also delay the previously planned public investment disbursements. However, the economic recovery of Thailand's major trading counterparts is anticipated to help support the growth of exports of goods and services. Moreover, the positive employment situation together with low interest rates from the accommodative monetary policy will help support private consumption and investment to continue to expand. With regard to internal stability, headline inflation in 2014 is anticipated to be 2.4 percent (or within a range of 1.9 - 2.9 percent), due to higher private demand.

The Director-General of the FPO also added that **“the uncertainties of the political uprising could have negative impacts on the Thai tourism industry. In the worst case, it could possibly reduce the number of tourists by 3 million people. The political uncertainties could also further delay public investment disbursements. This could slow economic growth down to 3.5 percent (or within a range of 3.0 - 4.0 percent). Moreover, the economic projection also needs to take risk factors into account, such as monetary policies of major developed countries which could create volatility in capital flows, natural disasters and labor shortage in some industrial sectors.”**

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**Major Assumptions and Economic Projections of 2013 and 2014 (As of Dec 2013)**

	2012	2013f	2014f	
		(As of Dec 13)	(As of Dec 13)	
		Average	Average	Range
<b>Major Assumptions</b>				
<u>Exogenous Variables</u>				
1) Average Economic Growth Rate of Major Trading Partners (percent y-o-y)	3.3	3.3	3.8	3.3-4.3
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	109.1	105.0	105.0	100.0-110.0
3) Export prices in U.S. dollar (percent y-o-y)	0.6	-0.3	0.5	0.0 – 1.0
4) Import prices in U.S. dollar (percent y-o-y)	1.6	-2.2	0.0	-0.5 to 0.5
<u>Policy Variables</u>				
5) Exchange Rate (Baht per U.S. dollar)	31.1	30.7	31.2	30.2-32.2
6) Repurchase Rate (Policy Rate) at year-end (percent)	2.75	2.25	2.25	1.75-2.75
7) Fiscal-Year Public Expenditure (Trillion Baht)	2.89	3.03	3.24	3.23 – 3.25
<b>Projections</b>				
1) Economic Growth Rate (percent y-o-y)	6.5	2.8	4.0	3.5-4.5
2) Real Consumption Growth (percent y-o-y)	6.8	1.3	2.7	2.2-3.2
- Real Private Consumption	6.7	0.4	2.8	2.3-3.3
- Real Public Consumption	7.5	5.6	2.1	1.6-2.6
3) Real Investment Growth (percent y-o-y)	13.2	-1.1	8.3	7.8-8.8
- Real Private Investment	14.4	-0.3	7.0	6.0-8.0
- Real Public Investment	8.9	-4.1	13.2	6.1-14.2
4) Export Volume of Goods and Services (percent y-o-y)	3.1	4.1	7.0	6.0-8.0
5) Import Volume of Goods and Services (percent y-o-y)	6.2	2.9	4.4	3.4-5.4
6) Trade Balance (billion U.S. dollar)	6.0	5.2	8.9	7.9-8.9
- Export Value of Goods in U.S. dollar (percent y-o-y)	3.1	-0.6	6.5	4.5-8.5
- Import Value of Goods in U.S. dollar (percent y-o-y)	8.8	-0.2	5.0	3.0 - 7.0
7) Current Account (billion U.S. dollar)	-1.5	-6.2	4.4	3.4 – 5.4
- Percentage of GDP	-0.4	-1.6	1.0	0.7 – 1.3
8) Headline Inflation (percent y-o-y)	3.0	2.2	2.4	1.9-2.9
Core Inflation (percent y-o-y)	2.1	1.0	1.2	0.7-1.7
9) Unemployment Rate (percentage of total labor force)	0.7	0.7	0.7	0.6-0.8

## **Attachment: Thailand's Economic Projections 2013 and 2014**

### **1. Thai Economy in 2013**

#### **1.1. Economic Growth**

The Thai economy in 2013 is projected to grow at an annualized rate of 2.8 percent, lower than the earlier projection of 3.7 percent. This is due to a slowdown in domestic demand following an earlier sharp acceleration. Private consumption is expected to be sluggish with a growth rate of 0.4 percent, following lower demand for durable goods, especially automobiles, while the demand for non-durable goods and services is moderate. Private investment is also anticipated to contract by 0.3 percent, coming off of a high base from the acceleration in investment for flooding damages of the previous year and the decline in consumer and business confidence which makes the private sector cautious of spending and investment. Moreover, the delay in public investment disbursements will also decrease private investment. However, the investment in construction is expected to expand, reflected in higher cement sales in the domestic market. Public consumption is expected to grow at 5.6 percent whereas public investment is likely to contract by 4.1 percent from the delay in the budget disbursements, especially those related to local administrative organizations, and the delay in disbursements related to the water resource management plan, especially projects which are bound by the Administrative Court's order to call for a public hearing. However, exports of goods and services are anticipated to grow at a faster pace compared to last year at 4.1 percent, mainly from exports of services that have expanded with the increase in the number of foreign tourists visiting Thailand, especially from China and Russia. Nevertheless, the value of exports of goods is expected to contract by 0.6 percent from the slow global economic recovery, which affects demand for Thai exports. In addition, a shortage in shrimp supply, due to Early Mortality Syndrome, has led to much lower exports of frozen seafood. The quantity of imports of goods and services is expected to grow at a rate of 2.9 percent, lower than that of the previous year, in line with the deceleration of domestic demand, both consumption and investment.

#### **1.2. Economic Stability**

With regard to internal stability, headline inflation in 2013 is anticipated to be 2.2 percent, lower than that of the previous year, due to lower private demand, declining prices of world crude oil and commodity products according to slow global economic recovery and the public control of retail diesel prices. The unemployment rate is expected to be 0.7 percent of the total labor force. On external stability, the Current Account in 2013 is projected to record a small deficit of USD 6.2 billion, accounting for 1.6 percent of GDP, partly from the high rate of returning amount of profits, dividends and remittances back to foreign countries. Moreover, the estimated trade balance surplus is expected to drop slightly to USD 5.2 billion. This is partially explained by accelerated import growth, which is higher than export growth.

## **2. Thai Economy in 2014**

### **2.1. Economic Growth**

The Thai economy in 2014 is projected to expand at an annualized rate of 4.0 percent (or within a range of 3.5 - 4.5 percent), lower than the previous projection of 5.1 percent, due to the delay in public investment, especially the water resource management plan which is bound by the Administrative Court's order to call for a public hearing and the infrastructure plan which needs to be postponed awaiting for the decision by the Constitutional Court. Furthermore, the dissolution of the Parliament could also delay the previously planned public investment disbursements. Public consumption is expected to expand at 2.1 percent (or within a range of 1.6 – 2.6 percent) while public investment is expected to grow at 13.2 percent (or within a range of 12.2 – 14.2 percent). However, it is anticipated that exports of goods and services will recover and grow, faster than in 2013, at 7.0 percent (or within a range of 6.0 - 8.0 percent), from the economic recovery of Thailand's main trading partners, especially the US from its higher employment, and Japan from its government's recent economic policies, although there is a slowdown in the Chinese economy. Moreover, the outlook for the export of services remains continuously positive from the increasing number of foreign tourists. Also, private consumption is projected to expand faster at a rate of 2.8 percent (or within a range of 2.3 – 3.3 percent) from the positive employment situation, reflected by a very low unemployment rate. Furthermore, the low interest rates from the accommodative monetary policy will help support private consumption and investment to continue to expand. Likewise, private investment is forecasted to rebound and expand at a rate of 7.0 percent (or within a range of 6.0 - 8.0 percent). Other factors that could support the expansion of private investment include the necessity to invest in production restructuring in order to cope with the labor mismatch problem, as well as more investment privilege schemes offered by the Board of Investment that will continue to create incentives for foreign investors to invest in Thailand. The quantity of import of goods and services is projected to expand at an accelerated rate of 4.4 percent (or within a range of 3.4 - 5.4 percent) as a result of private consumption expansion and the revival of the export sector.

### **2.2 Economic Stability**

With regard to internal stability, headline inflation in 2014 is anticipated to be 2.4 percent (or within a range of 1.9 - 2.9 percent), higher than that of the previous year, due to higher private demand while world crude oil price tends to be stable. This is due to an increase in global demand for crude oil, following the global economic recovery, in line with an increase in global supply of crude oil, resulting from higher production of non-OPEC countries. The unemployment rate is expected to be 0.7 percent of the total labor force (or within a range of 0.6 - 0.8 percent). On external stability, the current account in 2014 is projected to record a small surplus of USD 4.4 billion, accounting for 1.0 percent of GDP (or within a range of 0.7 - 1.3 percent of GDP) as the trade surplus is estimated to rise to USD 8.9 billion (or within a range of USD 7.9 - 9.9 billion). This is partially explained by accelerated export growth being higher than import growth.