

Picking up speed

General Information



GDP	USD406.8bn (World ranking 25, World Bank 2016)
Population	68.9mn (World ranking 20, World Bank 2016)
Form of state	Constitutional Monarchy
Head of government	Prayuth Chan-ocha
Next elections	2018, legislative



Strengths

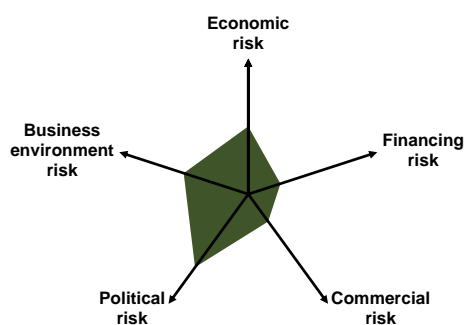
- Moderate public debt and acceptable fiscal deficit
- Appropriate monetary policy management
- Solid commercial banks with high level of provision and capital
- Favourable external debt burden
- Regional trade hub
- Well diversified economy

Weaknesses

- Chronic political instability since 2006, with the overthrow of the elected government in a military coup in May 2014
- Asset quality of specialized financial institution is weaker than that of commercial banks
- Dependence on Chinese trade links

Country Rating

B1



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
United States	11% 1	22% China
China	11% 2	16% Japan
Japan	10% 3	6% United States
China, Hong Kong SAR	5% 4	6% Malaysia
Australia	5% 5	4% Korea, Republic of

By product (% of total)

Exports	Rank	Imports
Electrical machinery, apparatus and appliances	13% 1	20% Electrical machinery, apparatus and appliances
Telecommunication and sound recording apparatus	12% 2	9% Petroleum, petroleum products and related materials
Office machines, automatic data processing machines	9% 3	9% Metalliferous ores and metal scrap
Articles of apparel & clothing accessories	8% 4	5% Professional and scientific instruments, n.e.s.
Miscellaneous manufactured articles	7% 5	5% Road vehicles

Source: UNCTAD

Economic Overview

Consolidating the momentum

Growth is set to rise by +3.8% in 2017 and +3.5% in 2018. This is above 2016 rates (+3.2%) and the +3% recorded in 2013-2015. The first half of 2017 has been strong with expansion supported by higher exports and solid growth in domestic demand.

Exports are set to remain firm due to higher demand from the US, China and the Eurozone. Domestic demand growth is also expected to rise. Public expenditures growth will remain strong. This is due to higher public investment in key infrastructure projects.

Private consumption growth should benefit from low inflation and higher household income. Private investment growth should edge up due to higher new orders and favorable financing conditions.

We see three risks going forward.

First, uncertainties about the next general elections could limit growth momentum through lower private investment.

Second, political conditions in major markets (e.g. US protectionist measures) and geopolitical tensions in the Korean peninsula could hinder trade flows.

Third, slower-than-expected economic growth in the US or China could act as a drag on Thai exports.

Supportive macro-policies

We expect the policy mix to remain accommodative as inflation should remain below the target range (1%-4%) and the need to support current economic recovery remains. The Central Bank has adopted a measured easing stance in an effort to balance the management of large household debt and boost economic growth.

Going forward, with household income gaining traction, the bank should have more wiggle room to focus on growth.

The government will continue to make use of fiscal space to support the economy. Over the past years, the fiscal position weakened. This reflects a more accommodative stance through corporate tax cuts and measures to support SMEs and rural areas.

In the long run, this stance is expected to be maintained. Infrastructure investment may increase to enhance connectivity with neighbouring countries and reduce logistical costs.

External position: strong buffers

Import cover is strong at more than 6 months. External debt is at an acceptable level of around 32% of GDP. The current account surplus is large reflecting solid export recovery.

Despite the political instability, FDI inflows remain a significant source of financing.

Pressures on the currency remain due to tighter monetary policy in the US and political uncertainties.

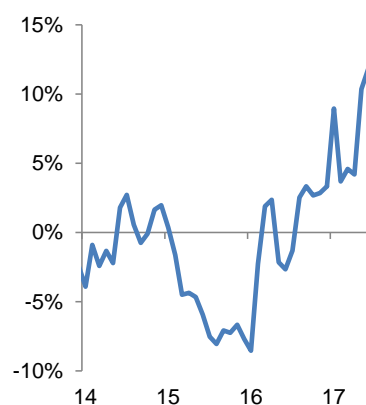
Key economic forecasts

	2015	2016	2017f	2018f
GDP growth (% change)	2.9	3.2	3.8	3.4
Inflation (% , year average)	-0.9	0.2	0.7	1.3
Fiscal balance (% of GDP)*	0.1	0.5	-1.7	-1.9
Public debt (% of GDP)*	42.7	42.2	41.8	42.0
Current account (% of GDP)	8.1	7.9	9.0	6.0
External debt (% of GDP)	32.9	32.3	32.0	30.4

* Fiscal balance and public debt refer respectively to general government net lending and general government debt respectively. General government includes central and local government.

Sources: IIF, IMF WEO, Euler Hermes

Figure 1 – USD denominated goods exports growth (3m y/y)



Sources: IHS, Euler Hermes

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