Thailand Economics

Payback period effects begin

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In line with our expectation, the Thai economy in January 2016 began to feel the impact of expired tax rebates and the auto excise tax from end-2015. Excluding the payback period effects, the January data suggest no significant turning points for the economy except for the surging FDI.

Consumption slowdown on waning tax effects

The January 2016 Private Consumption Index slowed down (1.2% y-y vs. 3.9% prev.) mainly because of falling vehicle sales (-6.3% y-y vs. +2.2% prev.) after the new excise tax on cars took effect. Sales of small-ticket items (non-durables) also experienced a payback effect, slowing down to 2.8% y-y (vs 4.4% prev.). However, the Service Index remained strong (6.2% y-y vs 4.6% prev.), thanks to strong tourist arrivals (15% y-y vs. 4.7% prev.).

Positive surprises from private investment and FDI

Despite falling car sales (-8.5% y-y vs. +19.2% prev.), the Private Investment Index managed to grow by 2.3% y-y (vs. 1.9% prev.), thanks to a major improvement in domestic machinery sales (9.3% y-y vs. 5.0% prev.) and imports of capital goods (+0.9% y-y vs. -4.0% prev.). Another positive surprise was surging foreign direct investment (FDI) of US$1.3bn, accounting for 27% of total FDI in 2015. However, the manufacturing indices were disappointing. January MPI dropped by 3% y-y (vs. +1.4% prev.), mainly because of falling vehicle production. Industrial capacity utilization (sa) fell to 63% (vs. 66% prev.).

Energy price effects on trade data continued

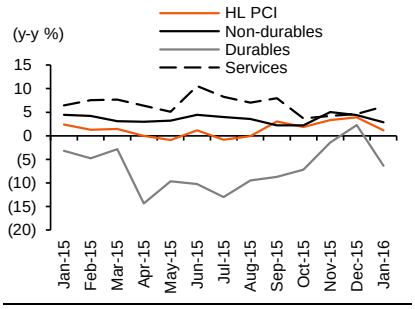
Falling commodity prices remained a key factor in trade data. Exports remained weak (-9.3% y-y) with only passenger cars (+85% y-y vs. +82% prev.) and hard-disk drives (HDD) (+52% y-y vs. 47% prev.) as key survivors. Imports were even weaker (-17.8% y-y vs. -8.7% prev.) as fuel imports dropped by -41.1% y-y (vs. -26.9% prev.). As a result, the January trade balance surplus came in at US$2.6bn. Combined with strong tourist revenues, Thailand again experienced a massive current account surplus of US$4.1bn.

Small and selective stimulus could come back

All in all, the January data suggest no significant turning points in the Thai economy with the exception of the surging FDI. In our view, if the payback period shows signs of getting out of hand, then fiscal easing for struggling groups, such as farmers and small and medium enterprises (SMEs), could be implemented again. Moreover, the pressure on the cabinet members to deliver infrastructure projects would rise. With active fiscal easing, we maintain our view that the Bank of Thailand will stay on the sidelines in 2016.

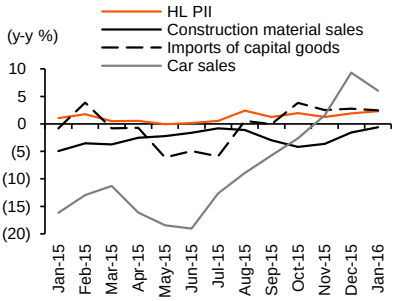
ECONOMIC MONITOR

Private Consumption Index (PCI)



Source: Bank of Thailand

Private Investment Index (PII)



Source: Bank of Thailand

Note: Car sales includes sales of passenger and commercial car sales

External Performance

	Nov-15	Dec-15	Jan-16
Tourist arrivals (y-y %)	5.5	4.8	15.0
Export (y-y %)	(6.6)	(9.1)	(9.3)
Import (y-y %)	(8.5)	(8.7)	(17.8)
Trade balance (US$ bn)	2.1	3.2	2.6
Current account (US$ bn)	3.0	4.9	4.1

Source: Bank of Thailand

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Ex 1: Monthly Economic Data

	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
The real sector (y-y %)							
Manufacturing Production Index, seasonally adjusted (level)	107.2	106.8	108.3	108.7	108.6	111.4	106.1
Manufacturing Production Index, non-seasonally adjusted (level)	108.9	103.7	107.1	107.6	105.6	105.1	107.5
Manufacturing Production Index, non-seasonal adjustment	2.7	0.5	(0.3)	(0.8)	0.3	1.4	(3.3)
Industrial capacity utilization (%)	65.3	62.7	64.9	63.8	63.6	62.9	63.9
Private consumption indicators							
- Non-durable Index	4.2	3.6	2.2	2.2	5.0	4.4	2.8
- Semi-durables Index	(0.5)	1.0	(0.9)	(1.9)	1.5	3.0	(0.4)
- Durables Index	(13.0)	(9.5)	(8.7)	(7.2)	(1.4)	2.2	(6.3)
- Service Index	8.0	7.0	8.0	3.7	4.2	4.6	6.2
Private investment indicators							
- Car sales for investment purpose	(8.2)	(5.2)	(5.1)	0.9	9.5	19.2	(8.5)
- Imports of capital goods (at 2010 prices)	(8.0)	14.1	(4.7)	1.9	11.5	(4.0)	0.9
- Construction material sales Index	(0.9)	(3.5)	(5.4)	(5.4)	(1.4)	1.4	(3.3)
Government cash balance (Bt bn)	(79.0)	24.5	101.9	(240.7)	(76.2)	(0.1)	(119.9)
Consumer price index	(1.05)	(1.19)	(1.07)	(0.77)	(0.97)	(0.85)	(0.53)
- Food	1.10	1.27	1.31	1.75	0.88	0.83	0.81
- Non-food	(2.22)	(2.52)	(2.36)	(2.12)	(1.99)	(1.78)	(1.25)
Core inflation (excluding raw food and energy)	0.94	0.89	0.96	0.95	0.88	0.68	0.59
External accounts (US$ m)							
Exports	18,113	17,587	18,524	18,288	17,006	16,958	15,560
Change (%)	*(3.1)*	*(5.6)*	*(5.4)*	*(8.0)*	*(6.6)*	*(9.1)*	*(9.3)*
Imports	15,405	14,680	14,522	13,957	14,920	13,739	12,924
Change (%)	*(10.6)*	*(10.8)*	*(21.3)*	*(21.3)*	*(8.5)*	*(8.7)*	*(17.8)*
Trade balance	2,708	2,907	4,001	4,331	2,086	3,220	2,636
Current account balance	2,446	2,936	1,843	5,178	2,997	4,879	4,066
Capital account	0	0	0	0	0	0	0
Financial account	(3,542)	(3,341)	(329)	(1,510)	(2,358)	(4,037)	1,186
- Central bank	(570)	(17)	(67)	438	56	(446)	588
- Government	502	(486)	(569)	579	(662)	(178)	154
- Other depository corporations (ODC)	(3,745)	(2,622)	(638)	(2,193)	738	(757)	(278)
- Others	271	(217)	946	(333)	(2,490)	(2,657)	721
Balance of payments	(1,746)	(1,187)	550	2,441	(849)	(661)	4,544
Official reserves (US$ bn)	156.9	155.8	155.5	158.3	155.7	156.5	160.1
Monetary statistics – end of period (Bt bn)							
Monetary base	1,537.7	1,562.3	1,603.1	1,573.5	1,606.4	1,710.1	1,649.1
Change (%)	*5.2*	*7.4*	*11.3*	*6.0*	*6.2*	*2.6*	*4.1*
Narrow money	1,618.5	1,635.6	1,618.5	1,663.4	1,696.2	1,778.1	1,744.6
Change (%)	*4.4*	*3.2*	*3.5*	*6.0*	*5.7*	*5.7*	*6.2*
Broad money	17,068.9	17,025.4	17,077.8	17,198.1	17,351.2	17,269.9	17,614.1
Change (%)	*6.1*	*5.5*	*5.4*	*5.4*	*4.8*	*4.4*	*4.0*
Other depository corporations credits	**16,783.2**	**16,760.0**	**16,803.7**	**16,956.5**	**17,110.3**	**17,269.9**	**17,349.6**
Change (%)	*6.3*	*6.0*	*6.1*	*6.2*	*5.8*	*5.3*	*4.9*
Other depository corporations private credits	**15,674.3**	**15,737.9**	**15,830.9**	**15,828.3**	**16,011.5**	**16,154.5**	**16,105.7**
Change (%)	*5.3*	*5.2*	*5.7*	*5.1*	*5.6*	*5.5*	*5.3*
Interest rates (% pa)							
- Repurchase rate, 1 day (closing rate daily average)	1.50	1.50	1.50	1.50	1.50	1.50	1.50
- Overnight interbank rate (mid-point daily average)	1.40	1.40	1.40	1.40	1.40	1.40	1.40
- Fixed deposit rate (1 year)	1.50	1.50	1.46	1.43	0.93	1.40	1.40
- Prime rate (MLR)	6.51	6.51	6.51	6.51	6.51	6.51	6.51
Exchange rate (Bt/US$)	**35.18**	**35.82**	**36.31**	**35.58**	**35.84**	**36.00**	**35.71**

Source: Bank of Thailand

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