

Thailand's Macroeconomic Situation and its Prospects

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Brief Summary

- Since 2014, Thai economy has grown at an average annual rate of 3.1% and achieved a steady recovery.
- During the period 2008-2013, Although Thai economy has reached a high growth of 7.2% in 2012, but its average growth is only 3.5%.
- When the current government came to the power in May 2014, Thailand's political situation was unstable and its economy was in the trouble.

Brief Summary

- In the last 3 years, Thai economy has been stable and its growth rate has increased year by year
- So, It can be said that the level of management of the economy by Prayut government is not inferior to that of elected governments.

The Macroeconomic Situation in Thailand

- Thai economy grew more steadily in 2016 than the previous two years, with the GDP growth of 3.2%.
- Thai economy performed best in 2016 since 2014.

The Macroeconomic Situation in Thailand

- **From Aggregate Demand**
- In 2016, consumption , investment and net export drove GDP growth by 2.4%, -3.0% and 3.6% respectively. Export and consumption were the main drivers of GDP growth and investment was a drag of GDP growth.
- Private consumption continued to improve. Private consumption increased 3.1% in 2016, up from 2.2% in 2015 and 0.9% in 2014

The Macroeconomic Situation in Thailand

Expenditure on GDP, y-o-y growth rate

						reference year=2002			percent	
	Private consumption	Government consumption	Gross fixed capital formation	Exports of goods and services	Exports of goods	Exports of services	Imports of goods and services	Imports of goods	Imports of services	GDP
2012	6.7	7.2	10.7	4.9	2.2	19.3	5.6	7.1	-1.1	7.2
2013	0.9	1.8	-1	2.7	0.1	14.6	1.7	1.8	1.1	2.7
2014	0.9	2.8	-2.2	0.2	0.6	-1.7	-5.3	-6.3	-0.5	0.9
2015	2.2	3	4.4	0.7	-3.4	17.1	0	0.2	-1	2.9
2016	3.1	1.6	2.8	2.1	0	9.3	-1.4	-2.1	1.7	3.2

source

Office of The National Economic and Social Development Board, Thailand, www.nesdb.go.th

The Macroeconomic Situation in Thailand

- **From Aggregate Demand**
- Export was improving and trade surplus was rising sharply
- Export rose by 2.1% in 2016, a significant improvement from 0.68% in 2015 and 0.12% in 2014. The trade surplus hit a record high of 980.3 billion Baht in 2016.
- Service Trade has become the "highlight" of Thailand's Foreign Trade. In 2016, Export of service trade increased by 9.3% and surplus of service trade amounted 670.9 billion Baht, accounting for 77% of Thailand's trade surplus.
- **In terms of aggregate demand, Thai economic growth depends on foreign trade, especially on service trade.**

The Macroeconomic Situation in Thailand

- **From Aggregate Supply**
- In 2016, Agriculture, Industry and Service sectors drove GDP growth by 0.04%, 0.69% and 2.44%, respectively. Service was the biggest driver of GDP growth.

The Macroeconomic Situation in Thailand

Gross Domestic Product component (production)

reference year=2002

percent

	Agriculture	Industry	Service
2012	7.3	37.7	55
2013	7.2	37.1	55.7
2014	7.1	36.8	56.1
2015	6.5	36.6	56.9
2016	6.3	36.1	57.6

source

Office of The National Economic and Social Development
Board, Thailand, www.nesdb.go.th

The Macroeconomic Situation in Thailand

- **From Aggregate Supply**
- Industry sector grew at low speed and its share of GDP has been declining. Manufacturing is the core and pride of Thai Industry, but its share of GDP has also declined in recent years. Thailand is facing the dilemma of “deindustrialization” .
- In 2016, Service sector contributed more than 70% of GDP growth, and Tourism was an important contributor.

The Macroeconomic Situation in Thailand

Gross Domestic Product (production), y-o-y growth rate

	reference year =2002							percent	
	Agriculture	Manufacturing	Construction	Wholesale and Retail Trade	Hotels and Restaurants	Transport, storage and Communication	Financial Intermediation	Real Estate	GDP
2012	2.1	6.9	7.9	5.5	14.1	9.1	15.3	10.8	7.2
2013	2.9	2	-0.2	1	9.8	5.5	12.3	2.5	2.7
2014	-0.6	0.1	-2.4	-0.6	2.4	3.2	7.5	0.6	0.9
2015	-5.7	1.5	17	3.9	14.6	5.1	8.8	1.9	2.9
2016	0.6	1.4	8.3	5	10.3	5.5	6.2	1.8	3.2

source Office of The National Economic and Social Development Board, Thailand, www.nesdb.go.th

The Macroeconomic Situation in Thailand

- **From Aggregate Supply**
- Thailand's tourism revenue rose 21% in 2015 to 2.26 trillion Baht and registered an 11% growth in 2016 to 2.52 trillion Baht.
- World Travel & Tourism Council: the total contribution of Travel & Tourism to Thailand GDP was 20.8% of GDP in 2015.
- **In terms of aggregate supply, Thai economic growth depends on Service sector, especially on Tourism.**

The Economic Management Idea of Thai Government

- In the short term, the task of economic growth gives way to the goal of political reform
- Thai government firmly implements the philosophy of “Sufficiency Economy”, and do not excessively pursue the high speed of economic growth.
- Thai government abandoned the populist policies over taking care of farmers.
- Populist policies are considered an important cause of division and confrontation in Thai society.

Measures to boost economic growth of Thai government

- The economic task of Prayut government is to restore steady economic growth, not to pursue high economic growth.
- At present, political parties, enterprises and the public mostly hold a wait-and-see attitude and lack confidence in the business environment. This is reflected in the economy that there has been little growth in private investment.
- Government measures to boost economic growth are focused on areas where short-term gains are evident, such as **private consumption, public investment and tourism.**

The Prospects of Thai Economy

- The improvement of external environment provides opportunities for Thailand's merchandise export and adds impetus to economic growth.
- Thailand's economy will perform better if it can seize the "free ride" opportunity of the Chinese economy
- If domestic wait-and-see attitude improves, and private investment is active, it will further promote the Thai economy to grow more rapidly.
- If Thailand's domestic political reform goes smoothly, this round of steady economic growth will continue and the rate of GDP growth will further increase.

Thank you !

