

มองโลก...เห็นเรา

จับกระแสนเศรษฐกิจ

2560

ดร. กิริฎา เภาพิจิตร

ผู้อำนวยการ

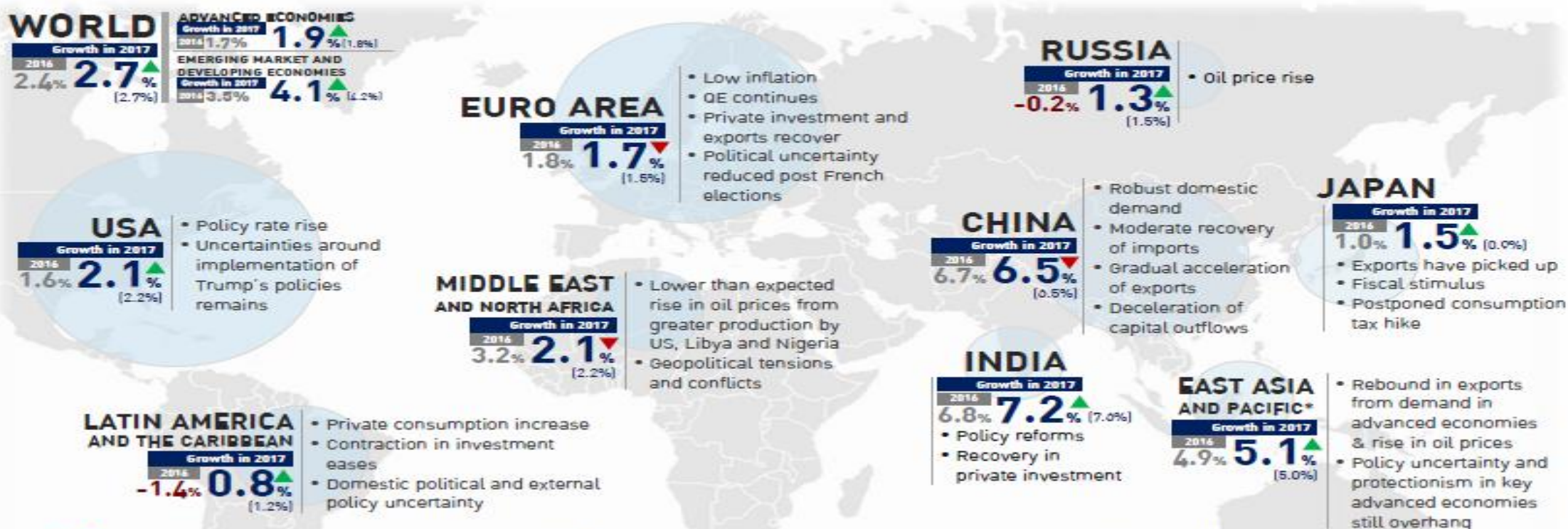
ด้านการวิจัยและคำปรึกษาระหว่างประเทศ

21 กันยายน 2560

Global Factors

Global economy is recovering with rising inflation & interest rates

- Growth of advanced economies are led by the US, Japan, and Russia.
- Emerging economies have benefited from the higher demand from advanced economies as well as higher export prices as oil price has risen this year.



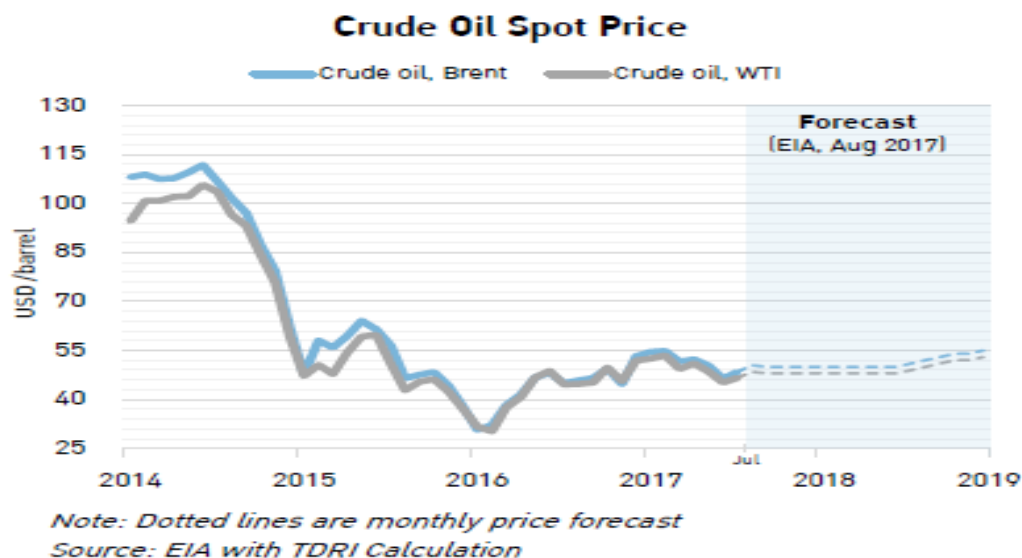
Note: ▲ ▼ shows increase/decrease compared to 2016; The numbers in brackets are the previous forecast (Jan 2017);

Size of circle is the size of economy, and * is developing East Asia and Pacific country except China

Source: Global Economic Prospects (June 2017), World Bank and TDRi calculation

Oil, rubber & sugar prices in H2 will slow down from H1; Rice price will rise

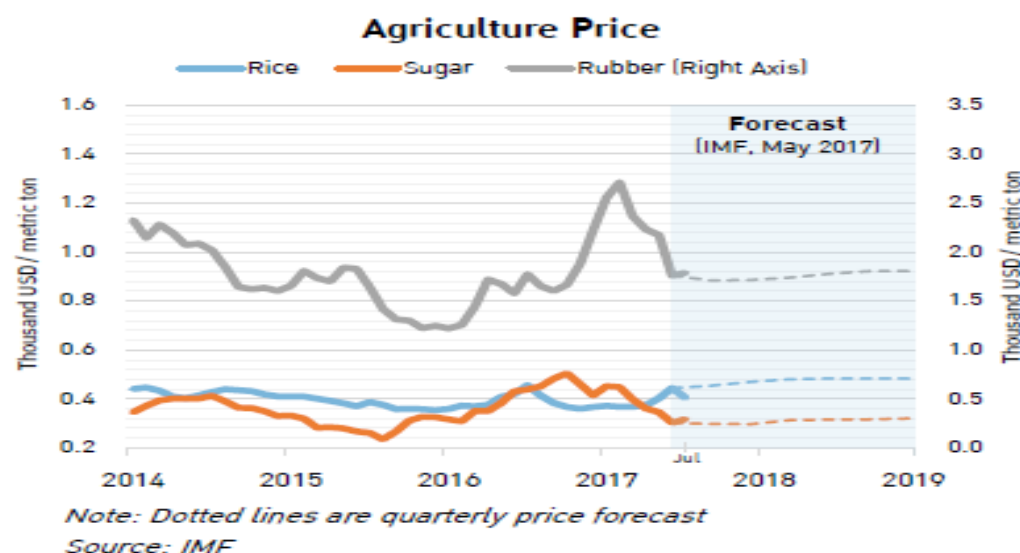
- Oil prices is now forecasted to be at \$51/barrel in 2017 (compared to \$53 earlier) as US, Libya, and Nigeria increase production.
- Nevertheless, oil prices this year is forecasted to rise by 17% (from \$44/barrel last year).



Rubber price will decline in the 2nd half of the year with falling oil prices and the accumulation of China's rubber stocks; rubber prices forecasted to rise by 11% from last year.

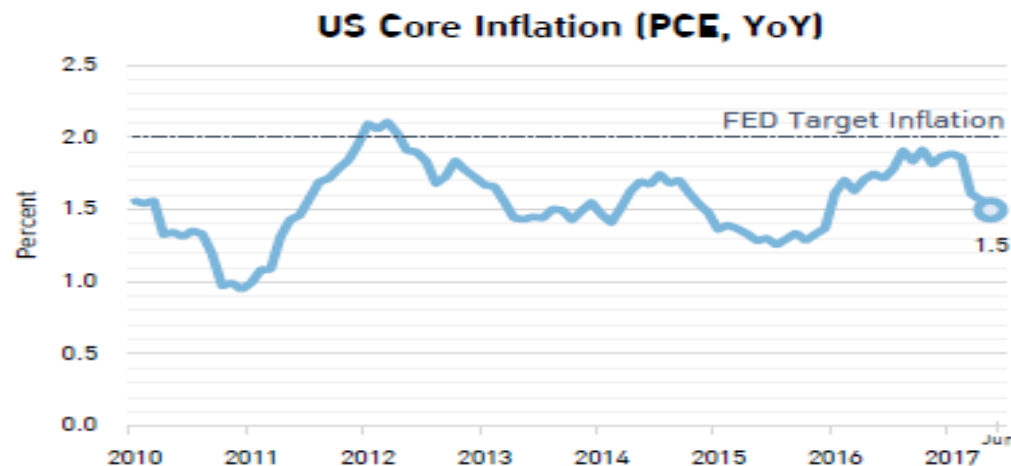
Sugar price will decline in the 2nd half of this year with falling oil prices, increase in Brazil's production, and increased import tariff on sugar by China; sugar price is forecasted to fall by 24% from last year.

Rice prices will rise in the 2nd half of the year as global rice stock has fallen; rice price is forecasted to rise by around 10% from last year.

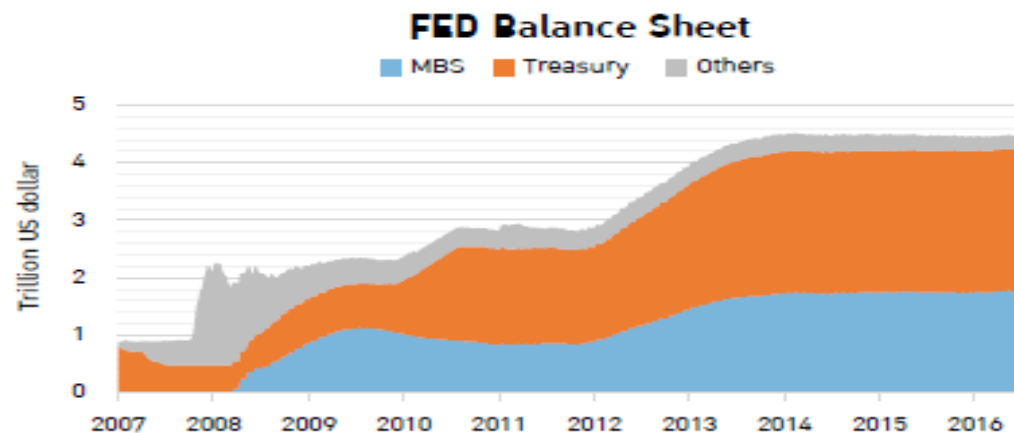


Next FED rate rise likely to be early 2018

- FED may raise policy rate again in December if inflation rises in the second half of the year to its 2% target.
- FED will likely start reducing its balance sheet by decreasing its reinvestment next year.
 - FED's QE's totaled \$4.5 trillion.
 - The plan consists of monthly reductions of \$6 billion of Treasury debt and \$4 billion of mortgage-backed securities (MBS) and gradually increasing that every quarter to a maximum of \$30 billion and \$20 billion respectively.
 - By selling its debt and securities, the FED aims on drawing in US money supply, making the US dollar gradually stronger.
- Trump's stimulus policies are unlikely to be implemented this year.



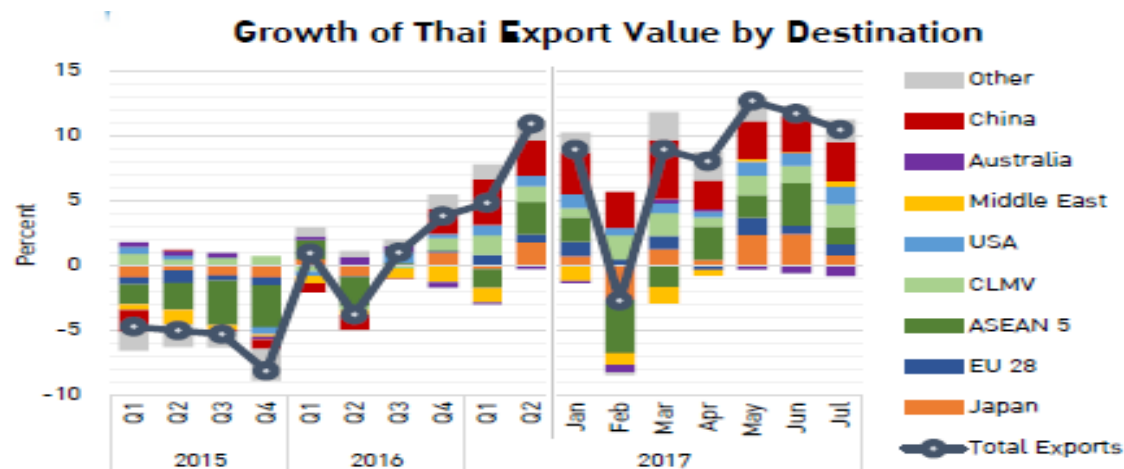
Source: U.S. Bureau of Economic Analysis



Source: FED

Thailand's export growth is supported by recovery in major export markets

- With only the exception of the Middle East and Australia, all export destinations ordered more Thai goods, especially China and CLMV.



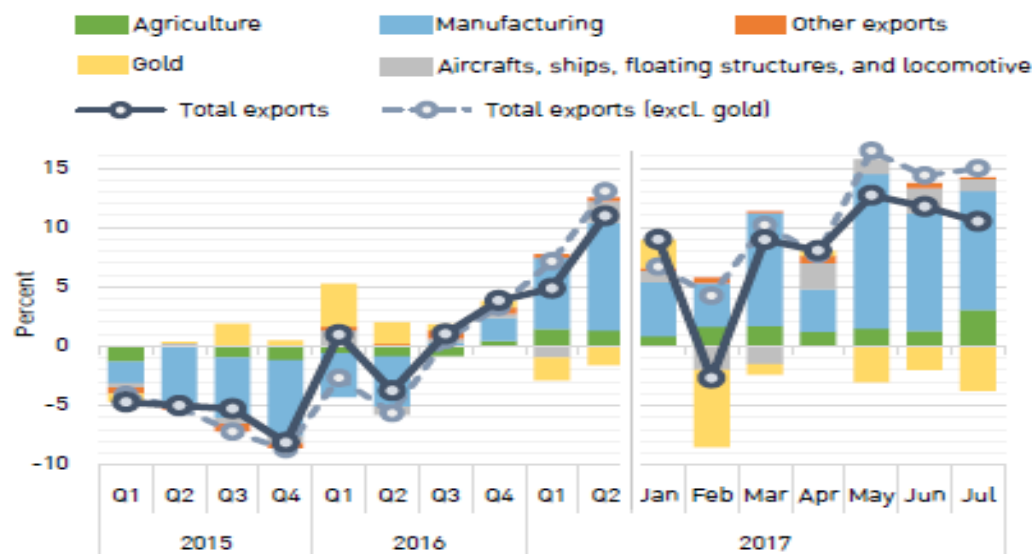
Destination	%YoY Growth of Thai Exports										%Share 2017YTD
	Q3-16	Q4-16	Q1-17	Q2-17	May-17	Jun-17	Jul-17	2015	2016	2017YTD	
Japan	0.5	11.4	-2.5	20.1	26.4	26.5	9.1	-7.6	2.1	8.1	9.5
EU 28	1.2	1.5	8.6	5.7	13.2	6.4	8.4	-6.0	0.4	7.3	10.2
ASEAN	-0.4	3.6	0.0	15.0	12.5	20.1	12.3	-7.2	-0.7	7.8	25.4
ASEAN-5	0.5	0.1	-8.9	17.2	11.4	24.6	8.8	-15.1	-1.1	3.8	14.9
CLMV	-1.9	8.1	15.3	11.8	14.1	13.8	17.6	7.7	0.0	14.1	10.5
USA	7.0	2.7	7.4	7.0	8.7	8.2	11.6	0.7	1.8	7.8	11.3
Middle East	-16.5	-24.5	-23.1	-0.4	5.9	1.5	10.8	-10.5	-15.1	-9.9	3.7
Australia	10.6	-8.4	-3.0	-4.8	-5.6	-10.0	-14.0	5.1	5.5	-5.5	4.3
China	-0.3	17.1	36.5	26.0	28.3	29.9	29.2	-5.4	0.3	30.9	12.2
Total exports	1.0	3.8	4.9	10.9	12.7	11.7	10.5	-5.8	0.5	8.2	100.0

Source: Bank of Thailand, CEIC with TDR calculation

Exports growth could reach 5% this year as price & quantity rebound

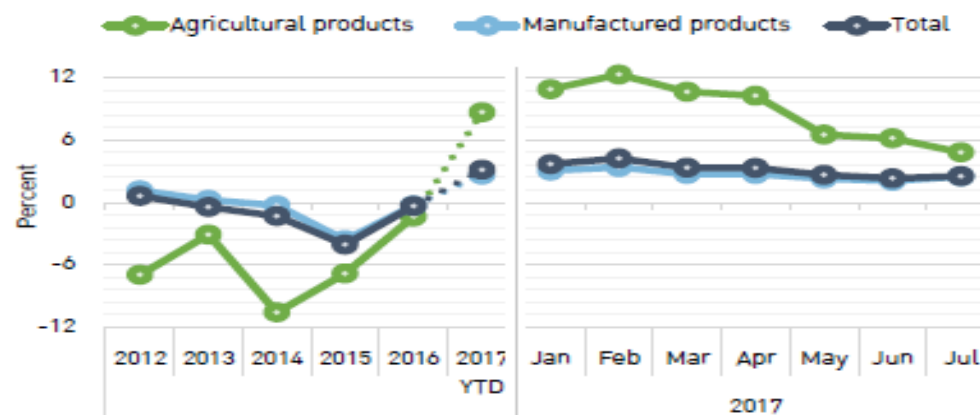
- Manufactured export clearly recovered from its slump in the past few years, especially telecommunication equipment, petroleum products and machinery & equipment.
- Export grew from both price and volume, with large contribution from oil and rubber prices.

Growth of Thai Export Value (in US\$ terms)

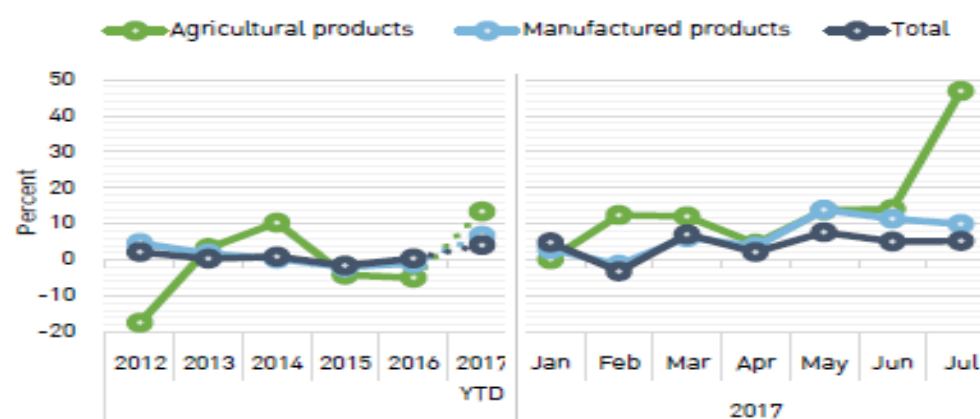


Source: Bank of Thailand, CEIC with TDRI calculation

Growth of Export Price (YoY)



Growth of Export Volume (YoY)

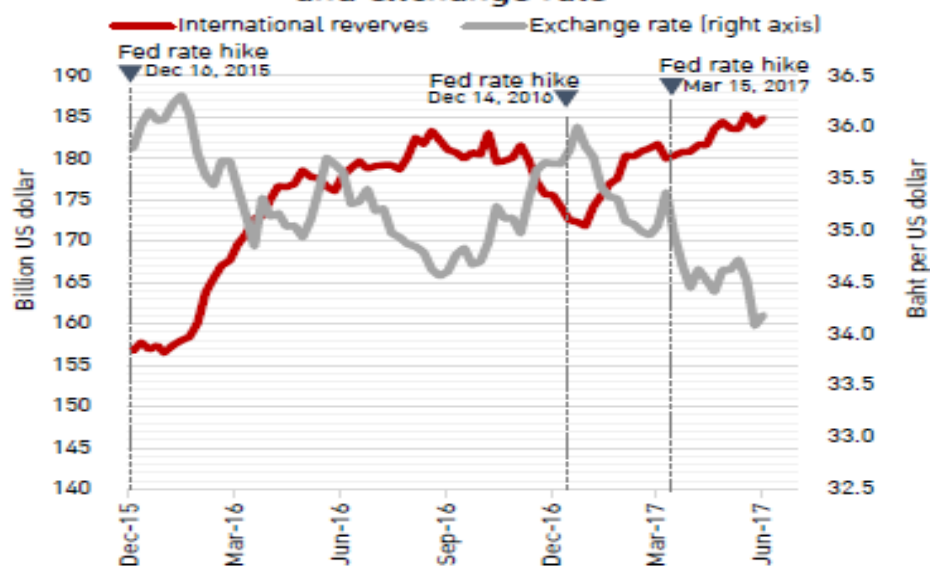


Source: Bank of Thailand, CEIC with TDRI calculation

Capital inflows into Thailand has kept baht strong

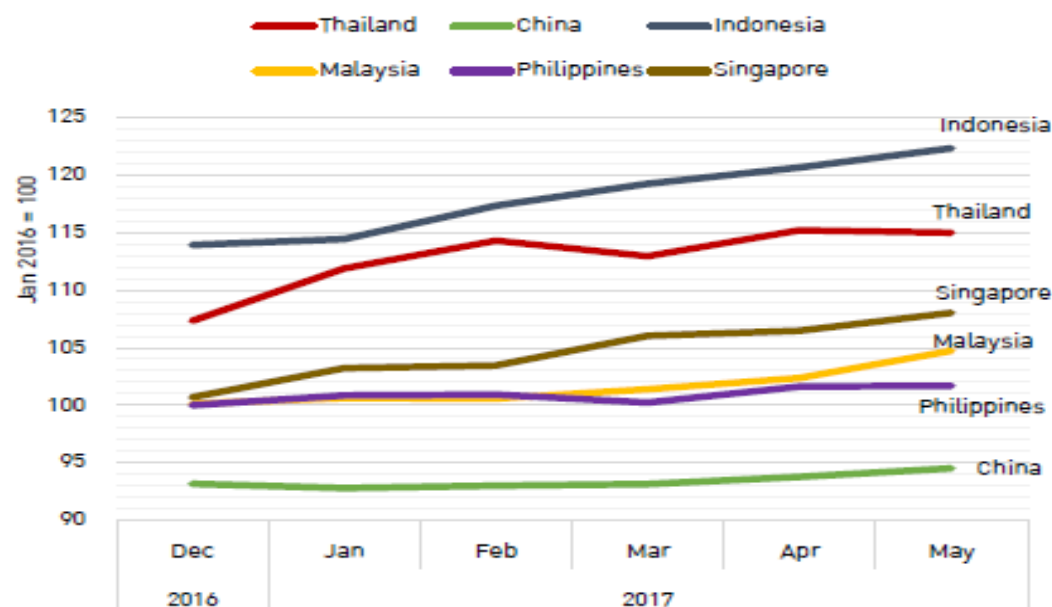
- Using increase in reserves as a proxy for capital inflows, baht is stronger when reserves increase and vice versa
- Thailand's reserves rose sharply since mid-December last year, and by more than that of most other countries in the region; this was due to the large current account surplus as well as high capital flows into the Thai stock and bond markets as investors view Thailand as a "safe" investment destination

**Thailand's international reserves
and exchange rate**



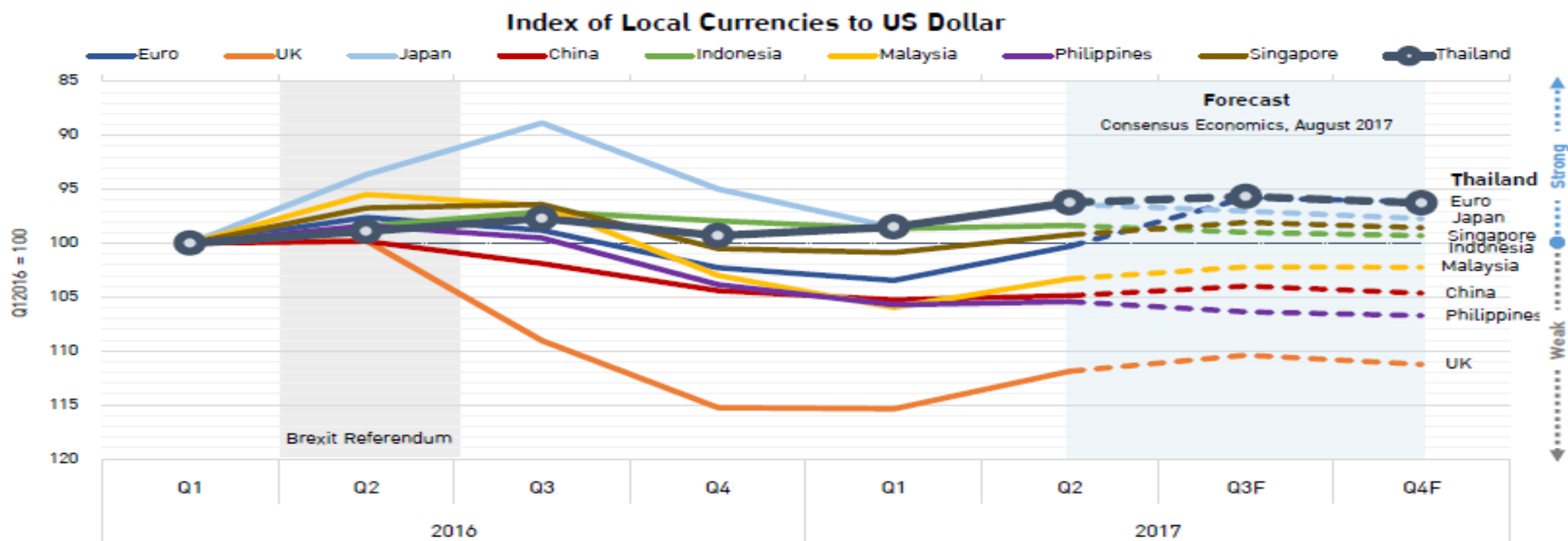
Source: Bank of Thailand

Index of international reserves



Source: CEIC with TDRI calculation

The Baht will remain stronger than other regional currencies this year



Note: Dotted lines are forecasts

Source: CEIC, Consensus Economics with TDRI Calculation

Things to watch out

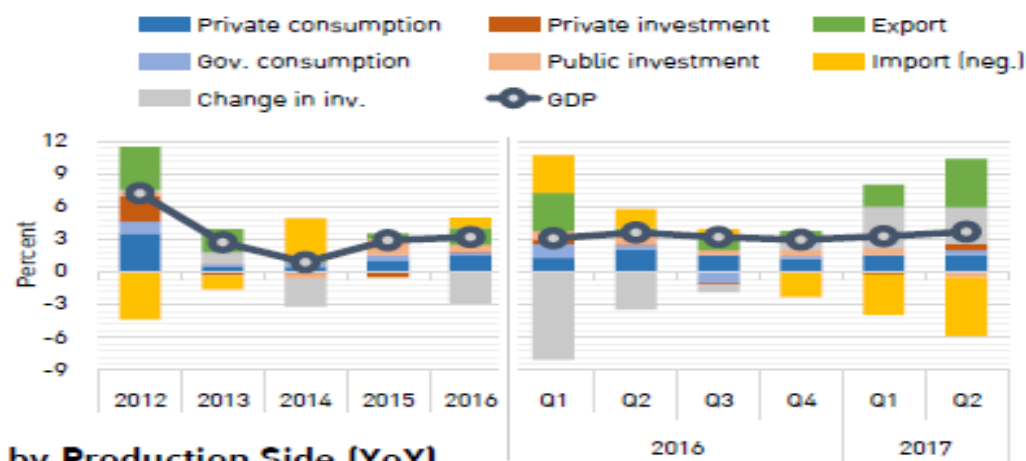
ISSUES	IMPLICATIONS FOR THAILAND
Prices	<ul style="list-style-type: none"> Inflation rise this year (0.2% in 2016 & BOT estimates 0.8% in 2017) <p>WATCH OUT: <i>Oil price change</i></p>
Interest rate	<ul style="list-style-type: none"> US rates rise, but Thai policy rate will unlikely rise this year <p>WATCH OUT: <i>Inflation and growth of Thai economy</i></p>
Capital Flows	<ul style="list-style-type: none"> Greater capital inflows into Thailand compared to last year Capital flows in to stock and bond markets will continue to be volatile with each episode of uncertainties. <p>WATCH OUT: <i>Fed rate hike, security issues with N. Korea</i></p>
Exchange rate	<ul style="list-style-type: none"> Baht continues to appreciate against other major currencies & regional currencies <p>WATCH OUT: <i>Exchange rates will be volatile, moving with news & capital flows</i></p>

Domestic Economy

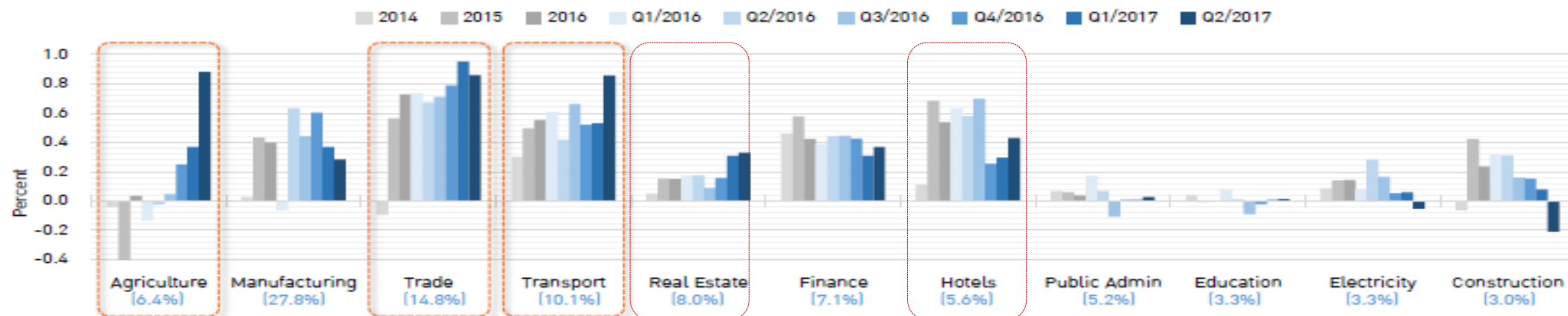
Thailand's economic growth is driven by export-related sectors

- Economic growth in 2017 will benefit from better export performance.
- Growth has resumed in agriculture; stronger momentum in whole sale/retail trade and real estate; momentum maintained in transportation; slowdown in manufacturing, finance and construction.

Contribution to Growth by Demand Side (YoY)



Contribution to Growth by Production Side (YoY)



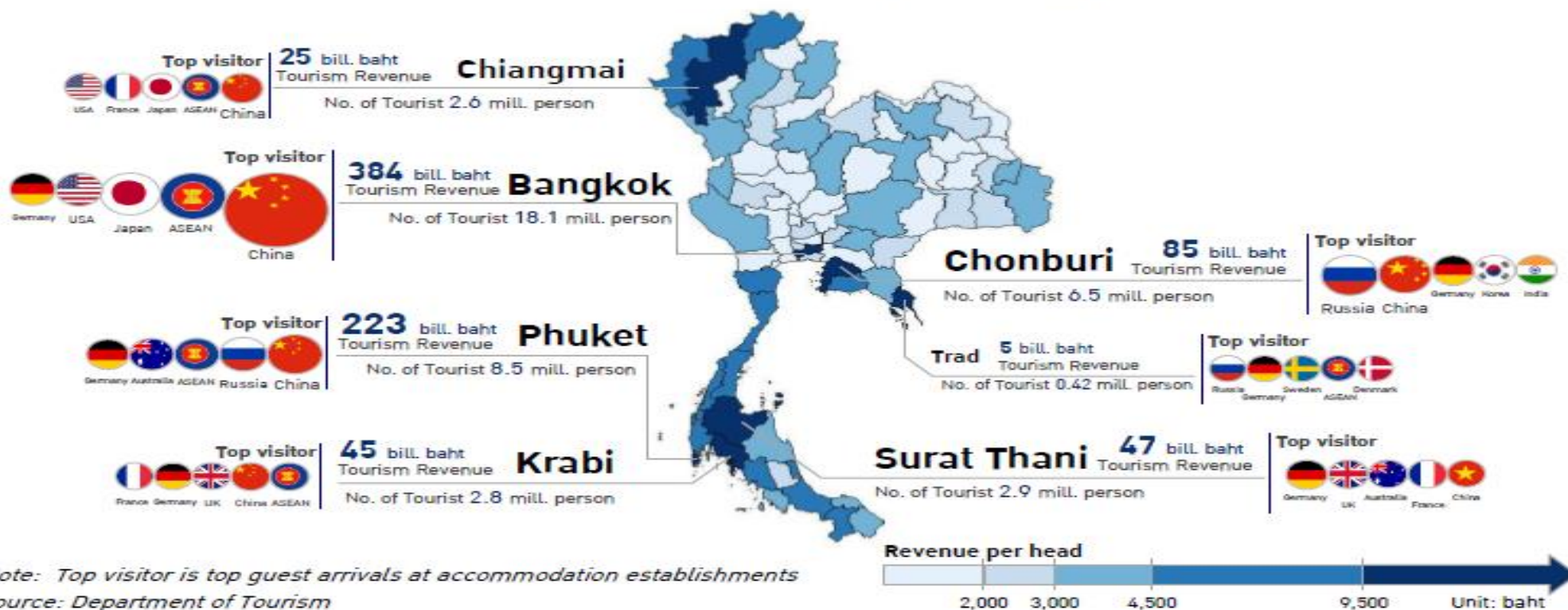
Note: The numbers in brackets are share of GDP in 2016

Source: NESDB with TDR calculation

Tourism is concentrated in a few provinces

- Bangkok receives the largest tourism revenue followed by Phuket and Chonburi(Pattaya) – these are the provinces with the concentration of Chinese tourists as well.

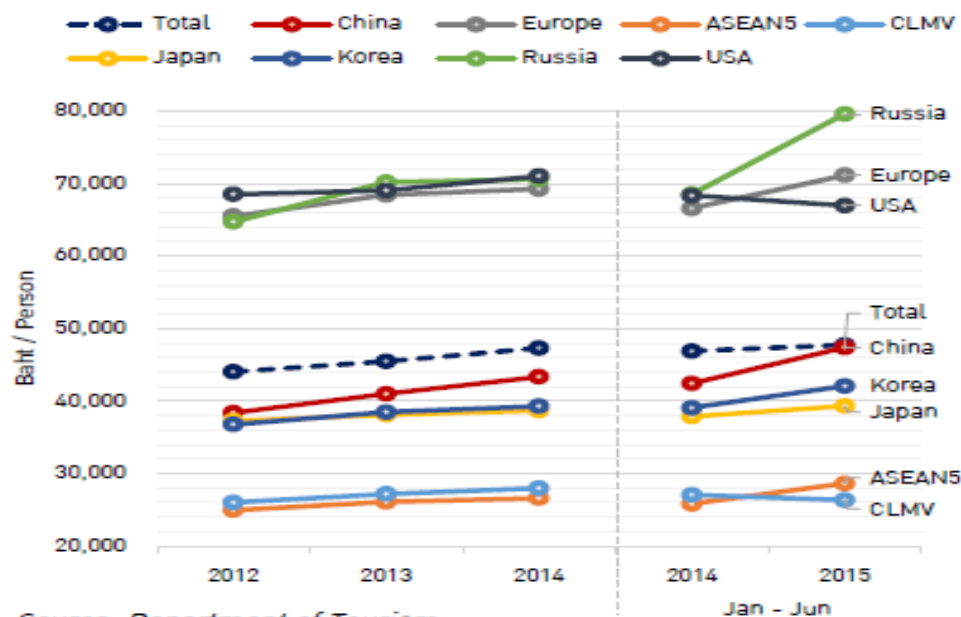
Tourism revenue and tourism revenue per tourist by province in 2014



Chinese tourists are top spenders per day

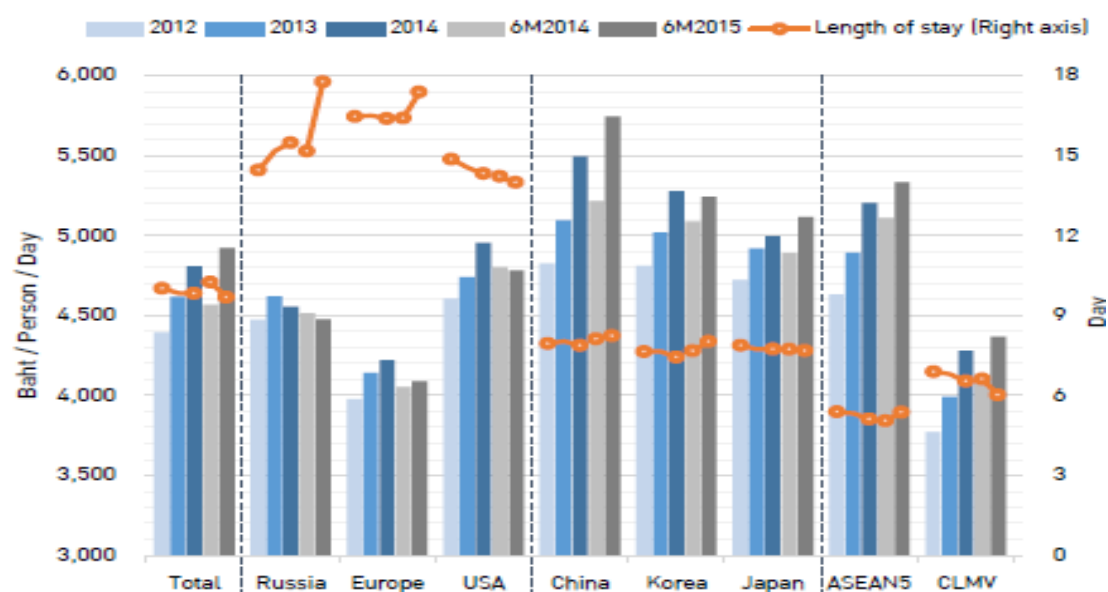
- Russian, European, and American tourists are the top spenders with the longest stay in Thailand.
- Chinese tourists are the top spender per day; their spending per day have been increasing rapidly, hence, their overall spending per trip has also been rising.
- ASEAN tourists, 2nd highest spender per day, have also increased their spending per day rapidly.

Tourism spending per person per trip



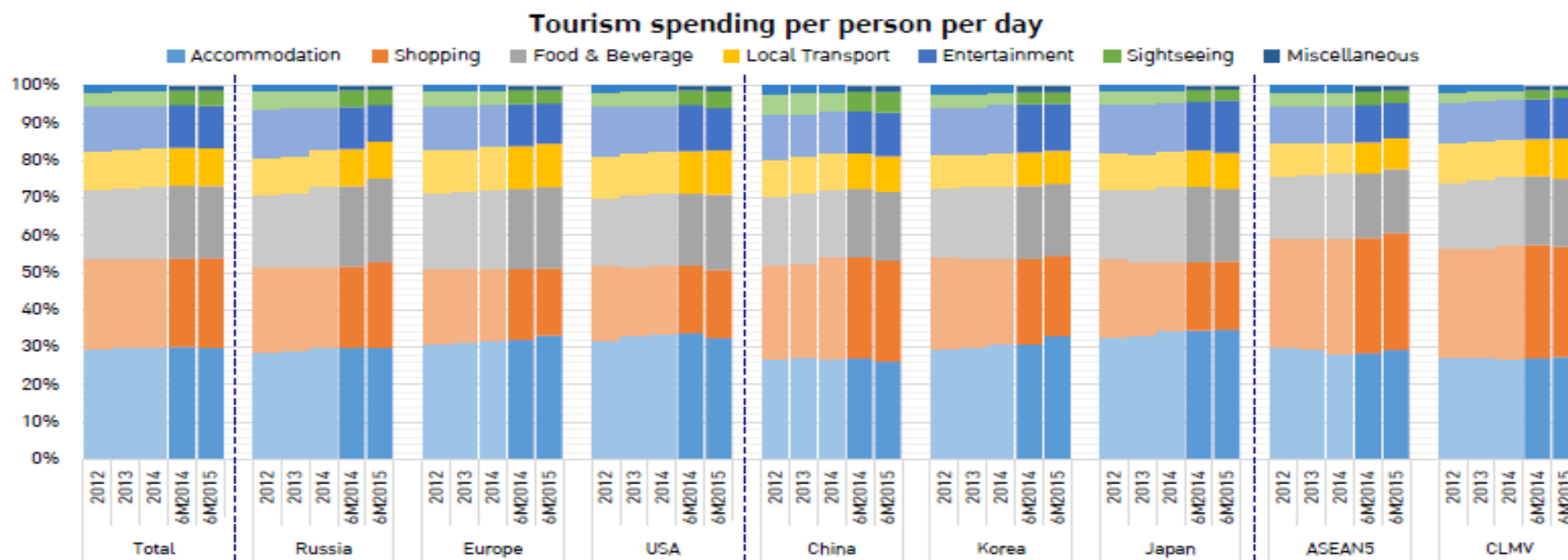
Source: Department of Tourism

Tourism spending per person per day



Accommodation, shopping, and food are top tourist purchases

- Tourists from China, ASEAN-5, and CLMV spend a larger proportion on shopping compared to spending of those from other regions/countries, and the trend is increasing.

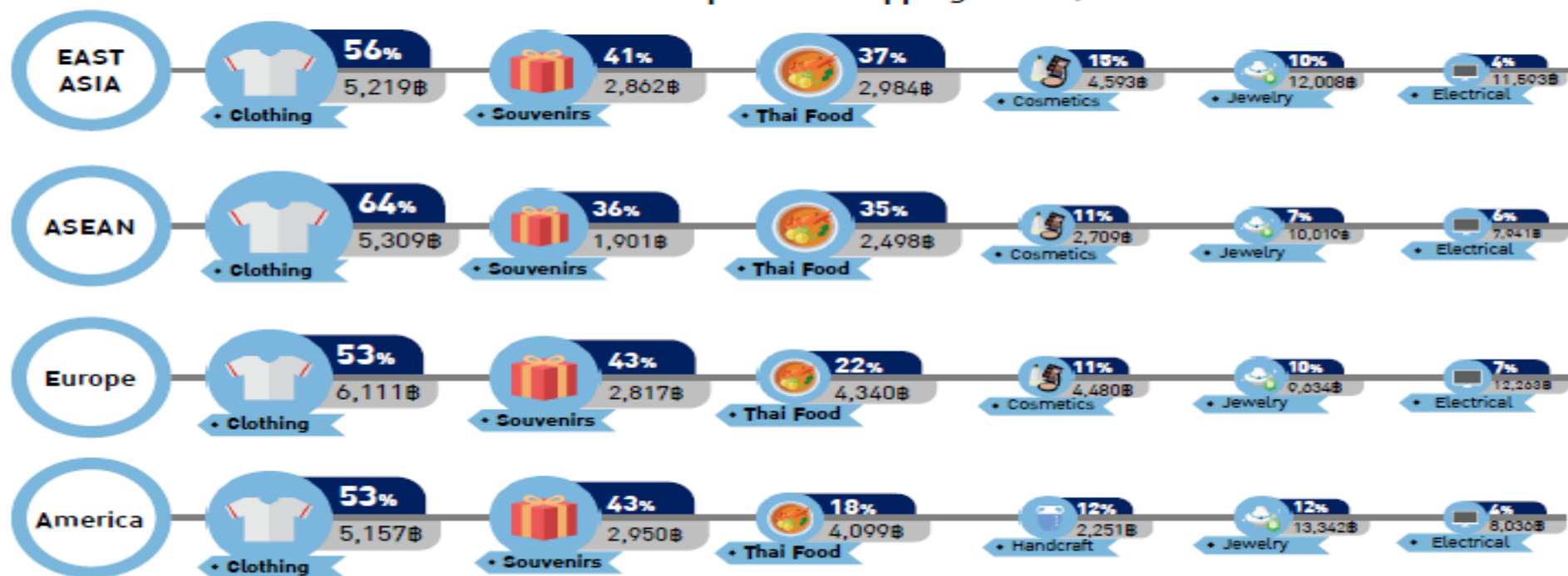


Source: Department of Tourism

What do tourists shop for?

- Majority of tourists buy clothing, souvenirs, and food.
- In terms of spending per type of product per person, tourists spend most on jewelry and electrical appliances.

Main product shopping in 2014

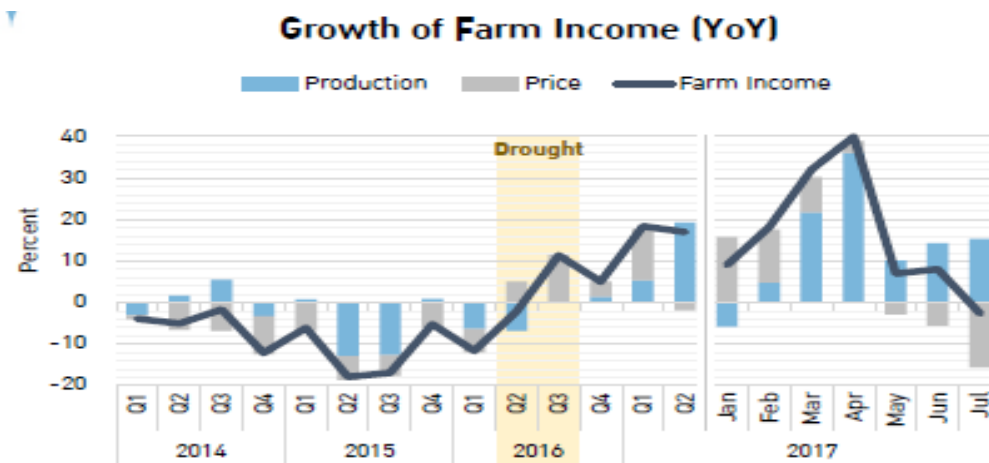


Note  % of Tourist
Average Value

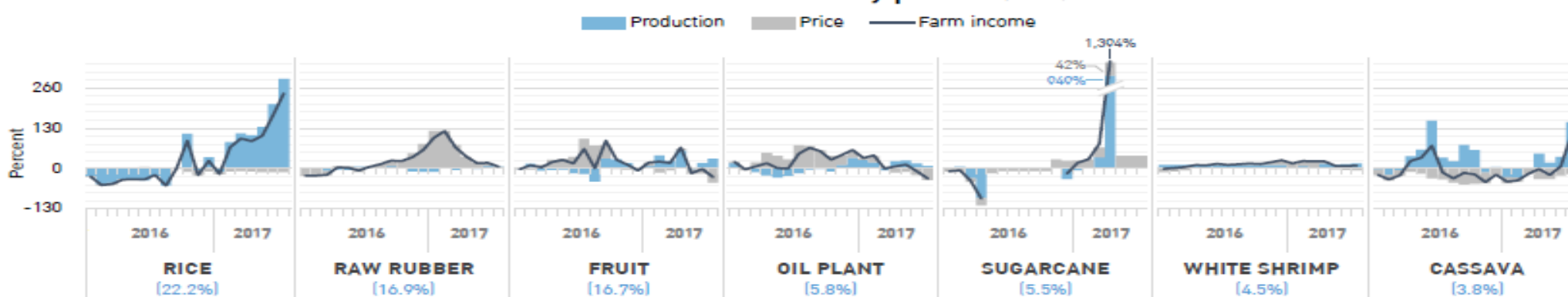
Source: Tourism Authority of Thailand

Farm incomes will soften in 2017H2 from lower prices

- Farm income continues to rise, both from production and price (rice, rubber, sugarcane).
- While recent prices have softened somewhat (rubber, fruit, cassava), they should not return to the lowest points in 2014-15.



Growth of farm income by product (YoY)



Note: The numbers in brackets are weight in 2016

Source: Office of Agricultural Economics with TDRI calculation

Government will issue cash & non-cash measures for grassroots

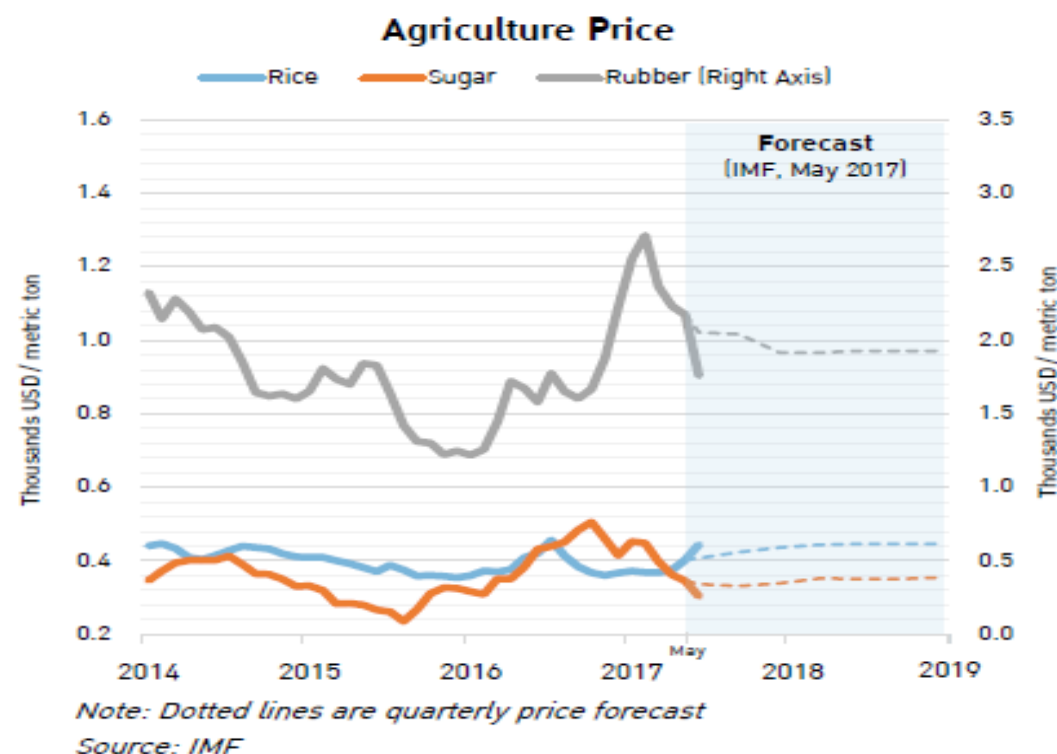
- Welfare to 14.1 million registered 'poor', mostly non-cash. Those registered in urban and rural areas will receive different benefits.
 - Expected Implementation in Q4



- 9101 Project for Sustainable Agriculture: budgeted at 22,875.3 million baht, targeting low income farmers in 9,101 communities, with 2.5 million baht budget for each community.
 - Total 4.5 million farmers, at least 500 farmers for each community
 - Expected to implement July – September 2017
 - Hire at least 50 percent of its workers in its vicinities

Growth should be broader following recovery in exports & crop prices

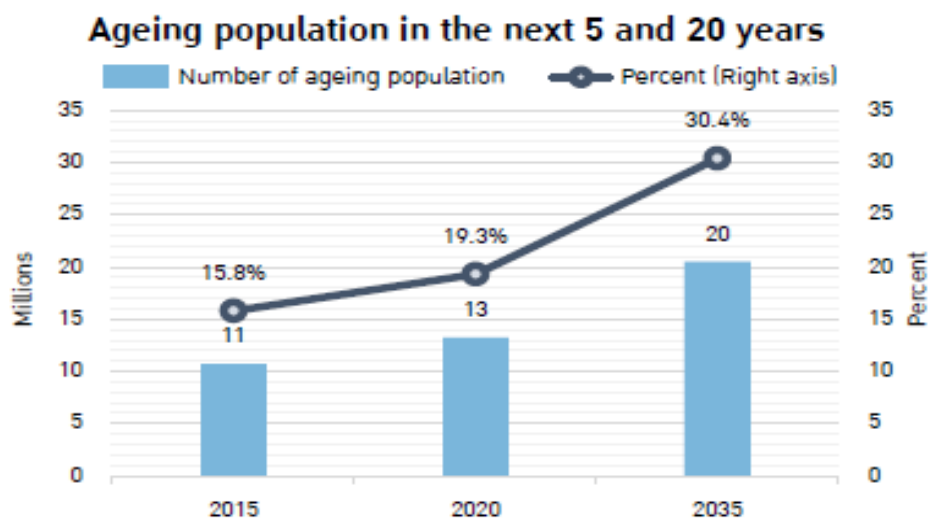
- SMEs and household businesses should begin to grow more rapidly.
- Government's measures toward grass-roots will help speed up the process.



Looking Ahead

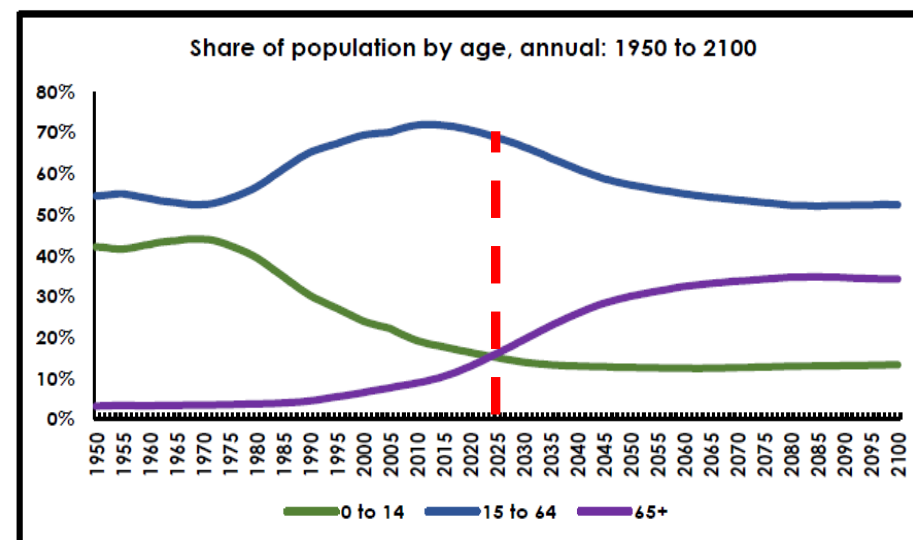
- Aging Thailand
- Eastern Economic Corridor (EEC)
- Political developments

Thailand is aging quickly



Source: UN, *World Population Prospects: The 2015 Revision*

(Thailand, UN 2015 revision – World Bank estimates)

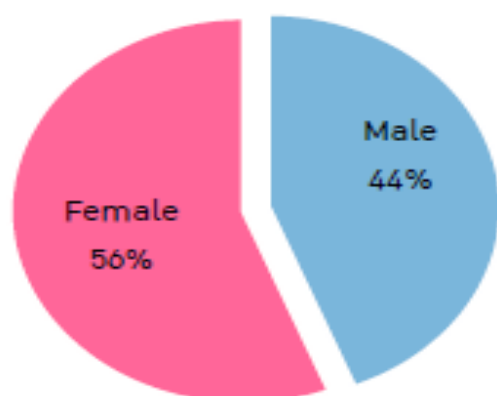


Source: World Bank, *Live Long and Prosper: Aging in East Asia and Pacific* (2015)

- By 2025-30, there will be more deaths than births

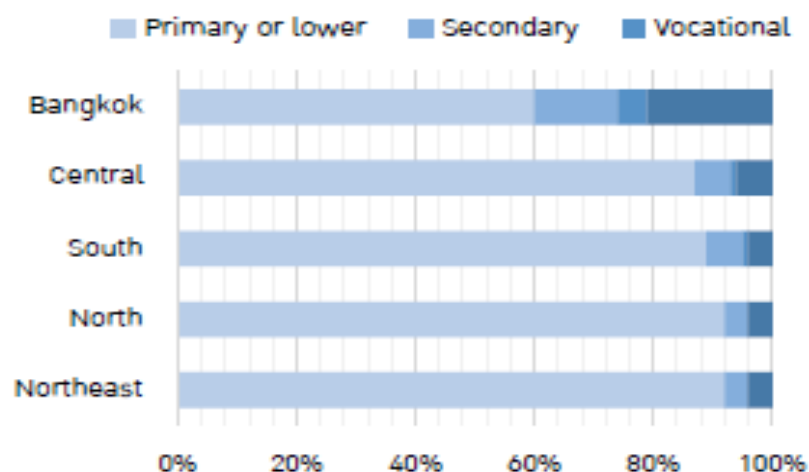
Most elderlies today are women with low education levels

Proportion of male-female elderly in 2014



- Females have longer life expectancy than males (79 years vs 72 years).

Education attainment of Thai elderlies in 2014

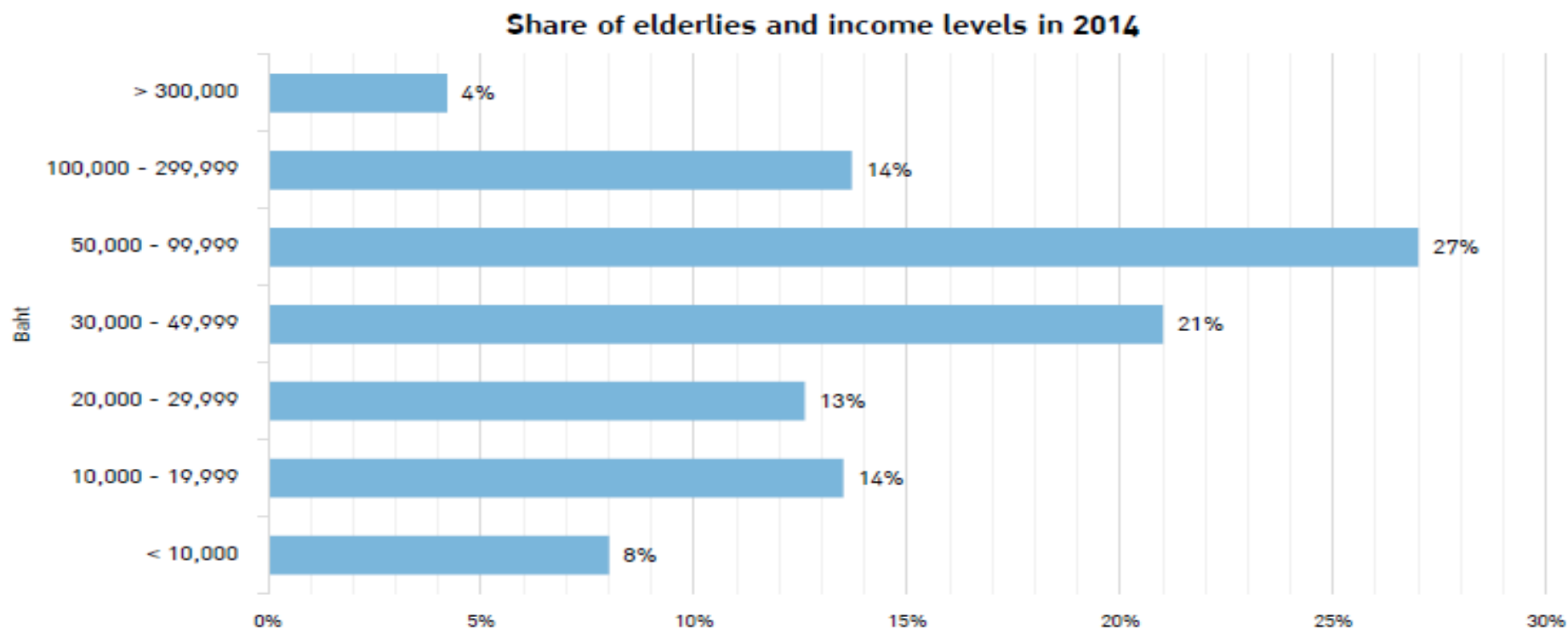


- Elderlies in Bangkok have higher education levels.

Source: NSO, SES 2014

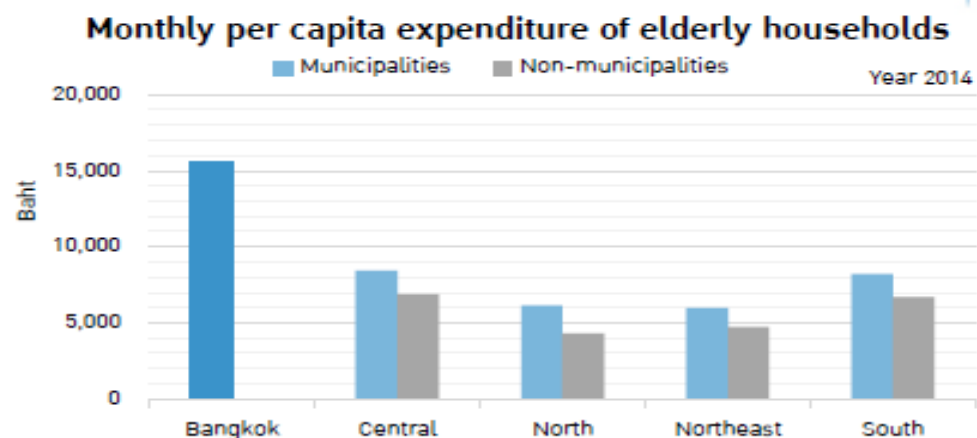
At least 2 million elderlies today have purchasing power

- A fifth of elderlies (around 2 million) have incomes above THB 100,000 a year (>THB 8,000/month) and 1 million elderly have savings > THB 1 million.



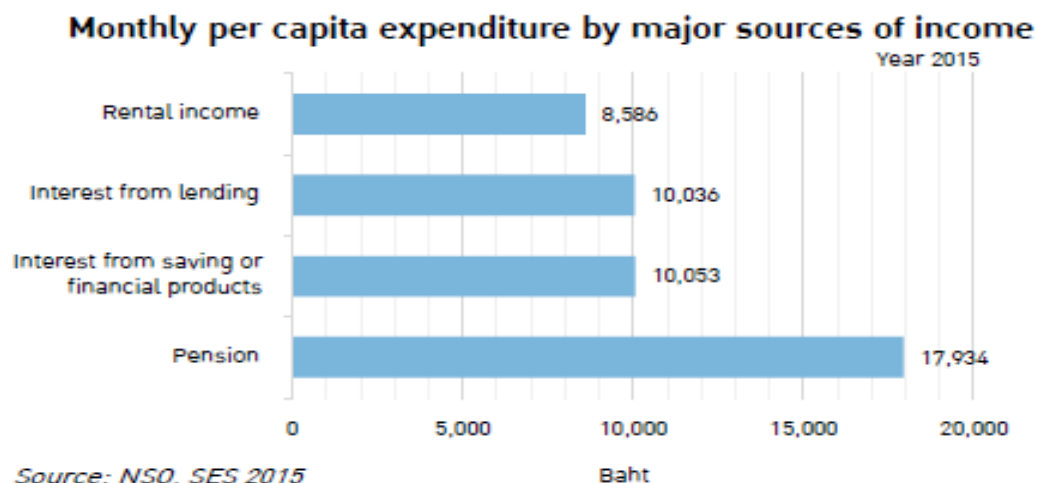
Source: NSO, Elderly survey 2014

Elderlies in cities and those with pension have higher purchasing power



Source: NSO, SES 2014

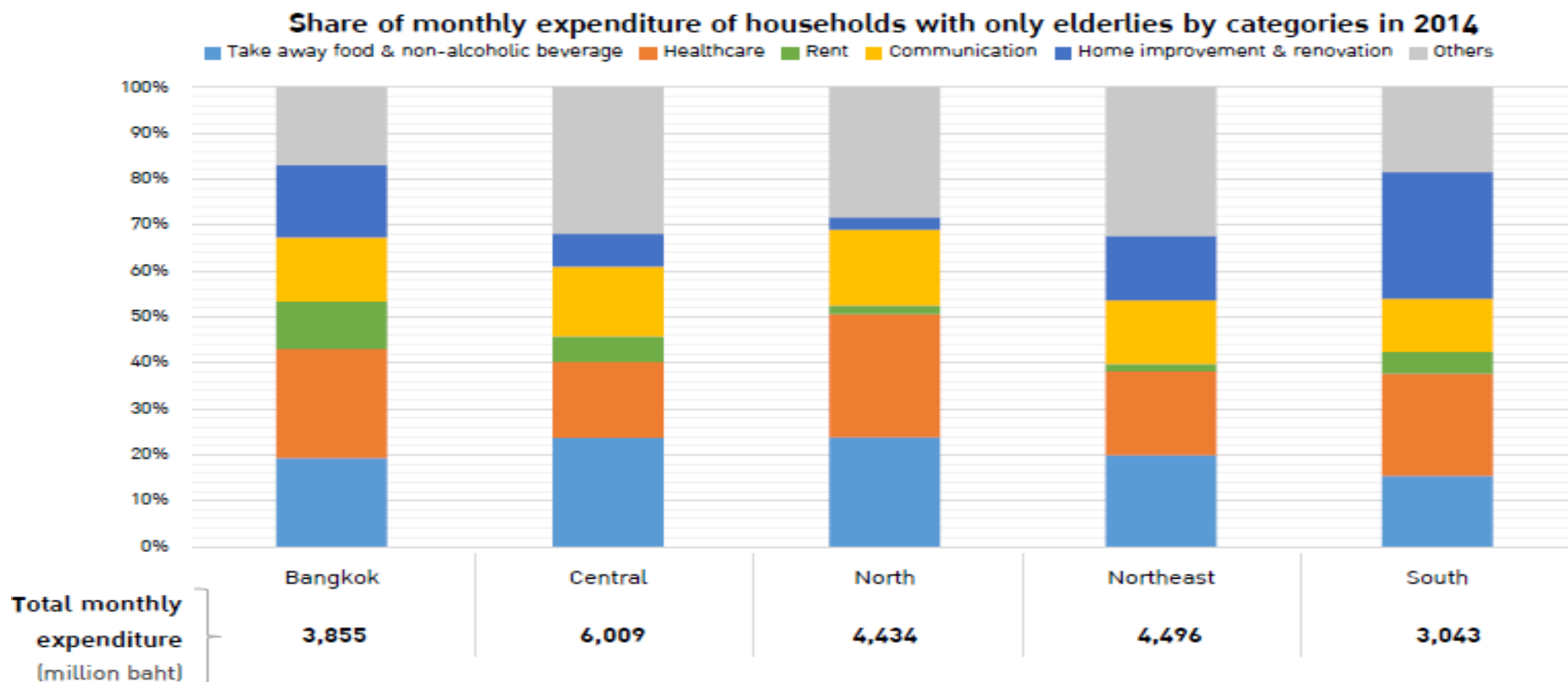
- There are 3 million elderlies living in households with only elderlies.
 - Elderlies in Bangkok have highest purchasing power.
 - Elderlies in municipalities spend more than those outside municipalities.



Source: NSO, SES 2015

- Elderlies with pension income (around 600,000 elderlies) spend more than those with incomes from other sources.

Elderlies spend most on health care, take-away food, communication & home improvement



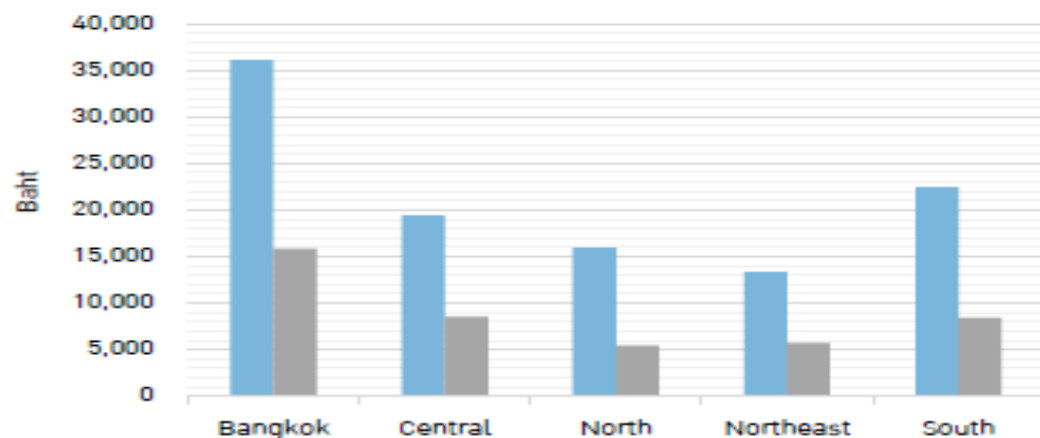
Source: NSO, SES 2014

Elderlies with wifi & mobile phone have higher purchasing power than their peers

- Elderlies with access to Wi-Fi spend 2-3 times higher than those without, while those with mobile phones spend slightly higher.
- 53,000 households with only elderlies across Thailand have Wi-Fi access; almost all of these households have mobile phones.

Monthly per capita expenditure of elderly households with Wi-Fi access and mobile phones in 2014

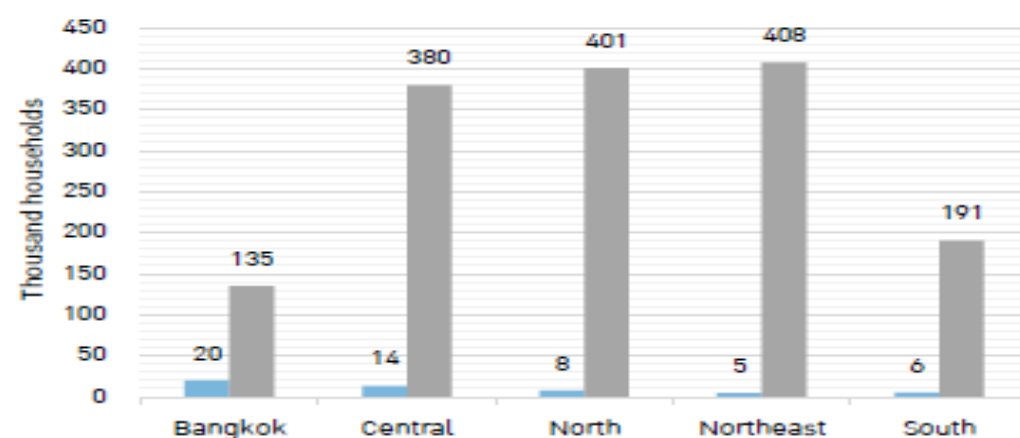
■ Wi-Fi ■ Mobile



Source: NSO, SES 2014

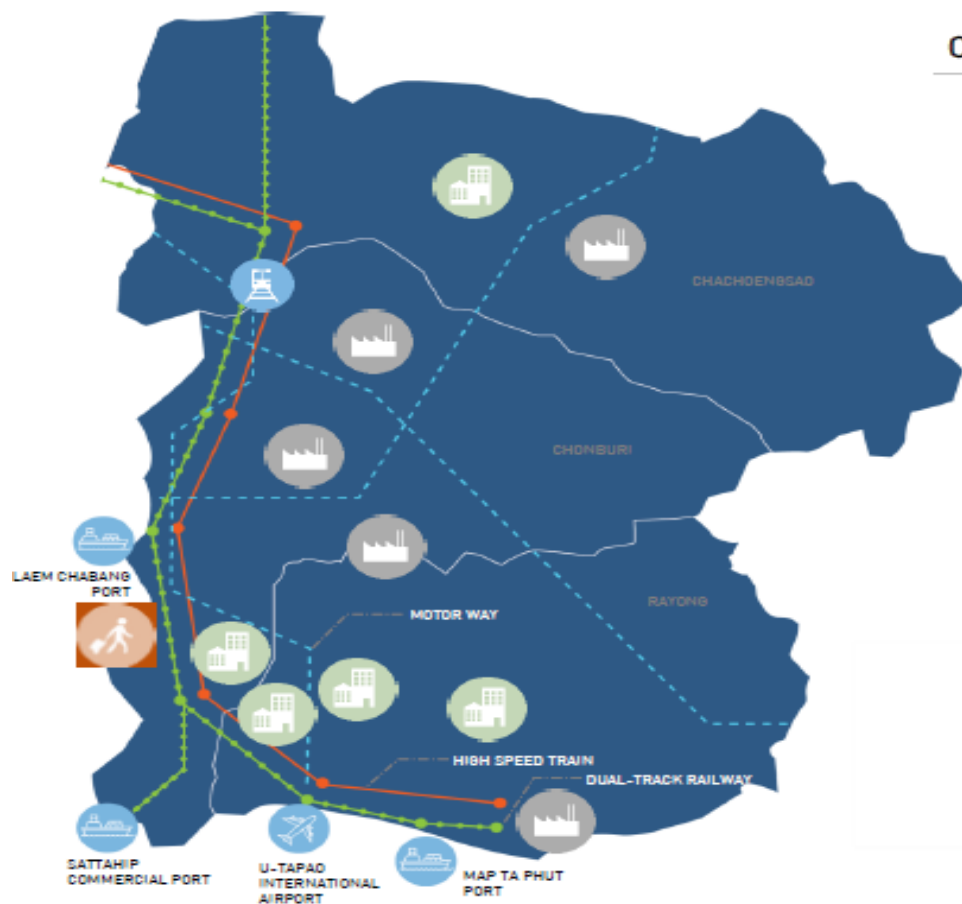
Numbers of elderly households with Wi-Fi access and mobile phones in 2014

■ Wi-Fi ■ Mobile








Source: NSO, SES 2014

4 Areas of planned investments in EEC








4 Core Areas	=	15 Core Projects	+ Many Ministerial projects
		<ul style="list-style-type: none"> • U-Tapao international airport and aircraft maintenance • Map Ta Phut port (phase III) • Laem Chabang port (phase III) • Sattahip commercial port • Dual-track railway • High-speed train • Highways and Motorway 	<p>EECi Innovation hub</p>
		<ul style="list-style-type: none"> • Next-generation automotive (EV/AV) • Aviation industry, Robotics, Smart electronics • Advanced petrochemical and bioeconomy • Medical hub 	<p>Digital infrastructure: Digital park, Data center</p>
		<ul style="list-style-type: none"> • Tourism 	
		<ul style="list-style-type: none"> • Global business Hub/Free economic zone • New cities, inclusive growth • Public utilities 	

Most investment in EEC will come from expanding existing S-Curve industries

S-curves	Investment	Nature of Investment	Reasons
Next-generation automotive		Assembly of hybrid cars, not BEVs, are likely to happen, creating opportunities for supporting industries	Frontier products will be produced in developed countries or large markets such as China
Smart electronics		Only firms with existing production facilities are likely to expand investment	There are little additional tax incentives to locate in EEC
Affluent & wellness tourism		More investment in tourism and related business is likely to happen	Expanded U-Tapao airport will facilitate traveling
Agriculture & Biotech		Only firms with existing production facilities are likely to expand investment	There are little additional tax incentives to locate in EEC
Food for the future		Only firms with existing production facilities are likely to expand investment	<ul style="list-style-type: none"> Many firms have already invested in Food Innopolis There are little additional tax incentives to locate in EEC

Among the new S-Curve industries, investments expected mainly in aviation MRO & logistics services

S-curves	Investment	Nature of Investment	Reasons
Industrial robotics		Very limited investment is expected	There is too small domestic demand for industrial robotics investment
Biofuels and Biochemicals		Limited investment is expected	Thailand has limited capacity to develop advanced biofuel. Bioplastic is not cost competitive
Integrated healthcare		Limited investment is expected	<ul style="list-style-type: none"> • Service opportunities could arise if foreign medical professionals are allowed to practice • There are little incentives for production in EEC. Fast-track drug approval by FDA is crucial
Digital business		Very limited investment is expected	There is little rationale to locate in EEC except for faster internet connection
Aviation and logistics		Possible investment from big players, including Airbus and Lazada	Demand is real due to location advantage. Supply for qualified technicians will be a bottleneck

Other key factors to attract investments to EEC

- Regulatory reform far beyond the “Ease of Doing Business” is required to attract investment
 - Customs reform
 - Fast-track approval of medical products by FDA
 - Licenses for foreign professionals such as doctors
 - Possibility to test new technologies, e.g. self-driving cars
- Before making major investment, investors will wait for details of the following
 - The EEC Act and its implementing regulations
 - The few first cases of successful investment facilitation
 - The relaxation of visa, work permits and licenses of foreign workers

National Strategy & National Reform Plan could limit policy innovations

20-YEAR NATIONAL STRATEGY (effective Jul/Aug 2018)

- National Strategy is a broad framework to guide national policymaking for 20 years
- All other plans at every government level must be consistent with National Strategy
- Policy declaration to Parliament and budget allocation must be consistent with National Strategy
- Drafted and monitored by a 34-member National Strategy Commission

NATIONAL REFORM PLAN (awaiting drafts)

- National Reform Plan consists of separate plans for national reform in 11+ areas
- Each area of reform is drafted by a specific committee before all the plans are combined together at the end
- All reform plans must be consistent with National Strategy
- Final National Reform Plan must be approved by National Strategy Commission

How Binding are They?

- National Strategy is fairly broad, so we do not expect it to be a significant constraint for future governments, especially if the new PM is an ex-military
- National Reform Plan may be more constraining if the reforms laid out are specific
- Both may be used primarily as a political tool
 - Parliament and National Strategy Commission can lodge complaint to NACC and Constitutional Court if they believe the government is not in compliance with the plans - penalties include suspension/expulsion of responsible officials
- The plans could therefore limit some policy innovation

There is hope in Legal and Education Reforms



Legal Reform Committee

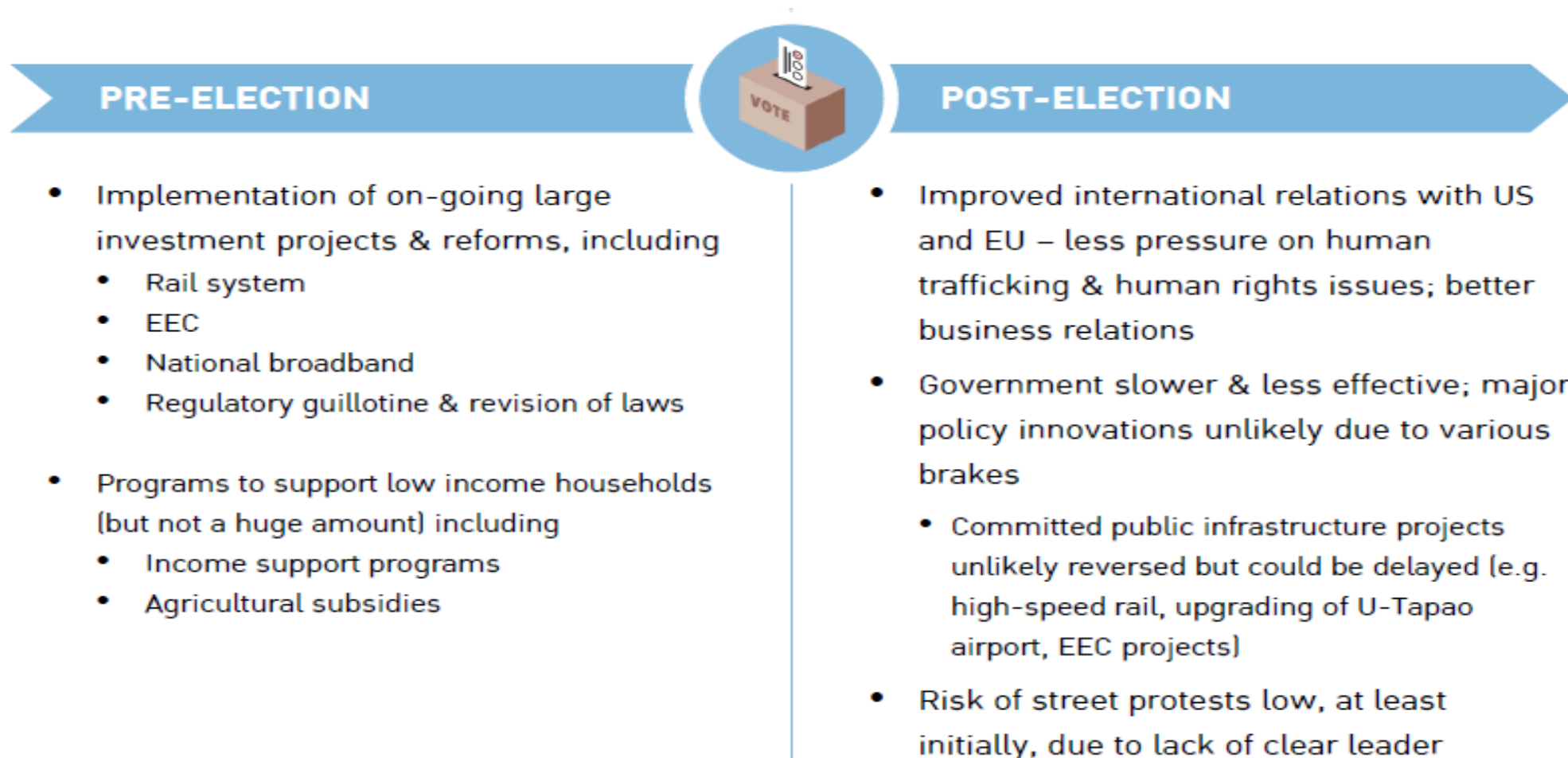
- Major effort to repeal, update, and improve existing laws
- **Done primarily through the Regulatory Guillotine framework**
- Many phases but first phase is aimed at improving **Ease of Doing Business** ranking by this year
- Huge support and funding from private sector



Education Reform Committee

- Primary goal is to produce legislation that will set up an **education fund** for those who need financial aid for education; the establishment of the fund is mandated in the Constitution

Investments/Reforms to speed up pre-election; major policies unlikely post-election



THANK YOU

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