

## Fragile expansion

### General Information



<b>GDP</b>	USD395.3bn (World ranking 27, World Bank 2015)
<b>Population</b>	67.9mn (World ranking 20, World Bank 2015)
<b>Form of state</b>	Constitutional Monarchy
<b>Head of government</b>	Prayuth Chan-ocha
<b>Next elections</b>	2017, general elections



### Strengths

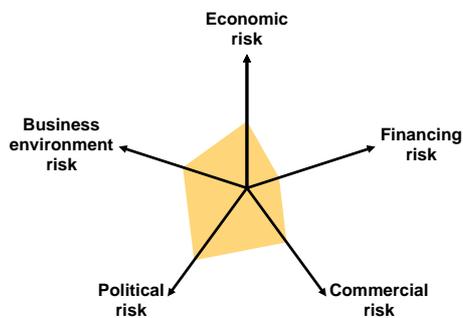
- Moderate public debt and acceptable fiscal deficit
- Appropriate monetary policy management
- Solid commercial banks with high level of provision and capital
- Favourable external debt burden
- Regional trade hub
- Well diversified economy

### Weaknesses

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

### Country Rating

B2



Source: Euler Hermes

### Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
China	11% 1 17%	China
United States	11% 2 16%	Japan
Japan	10% 3 6%	United States
Malaysia	6% 4 6%	Malaysia
China, Hong Kong SAR	6% 5 6%	United Arab Emirates

By product (% of total)

Exports	Rank	Imports
Road vehicles	11% 1 17%	Petroleum, petroleum products and related materials
Electrical machinery, apparatus and appliances, n.e.s.	10% 2 11%	Electrical machinery, apparatus and appliances, n.e.s.
Non metallic mineral manufactures	8% 3 6%	Iron and steel
Petroleum, petroleum products and related materials	5% 4 5%	Other industrial machinery and parts
Other industrial machinery and parts	5% 5 4%	Telecommunication and sound recording apparatus

Source: UNCTAD

## Economic Overview

### Fragile expansion

Economic growth is improving but at a moderate pace and much below potential, in light of the +5.0% average yearly rate for 2000-2007. In 2016, economic growth has been supported by a rise in public investment, firm private consumption, and an increase in exports of goods and services. Private investment struggles to recover due to elevated political uncertainties and modest growth in domestic and external demand.

Still, the economic outlook should prove resilient. A modest improvement in global demand and a low currency should help boost exports. One could expect more strong growth in public investment that should keep growth in a decent range. Private consumption growth is set to remain firm benefiting from low inflation and a positive rise in personal income. Private investment will probably be the main drag due to continued political uncertainties related to the next elections. External risks stem from a global trade shock. If the US implemented severe protectionist measures or China's demand were to weaken, Thailand would feel the pinch. Internal challenges include high household debt and a difficult political context.

### Macroeconomic policies to remain supportive

The policy mix will be clearly accommodative considering the fragility of the economic rebound without private investment. The Central Bank has adopted a measured easing stance, so it can tap into policy measures to support growth if needed. Further easing could be expected next year especially if investment continues to disappoint. Inflation is set to remain below target reflecting weak commodity prices and modest growth in demand.

The government has some fiscal space and will continue to make use of it to support the economy. Over the past years, the fiscal position weakened. This reflects a more accommodative stance of the government through corporate tax cuts and measures to support SMEs and rural areas. In the long run, this stance will probably be maintained. Infrastructure investment may increase to enhance connectivity with neighboring countries and reduce logistical costs.

### External position: still solid

Import cover is strong at more than 6 months. External debt is at an acceptable level of around 35% of GDP. The current account surplus is large reflecting slow export recovery and import contraction. 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.

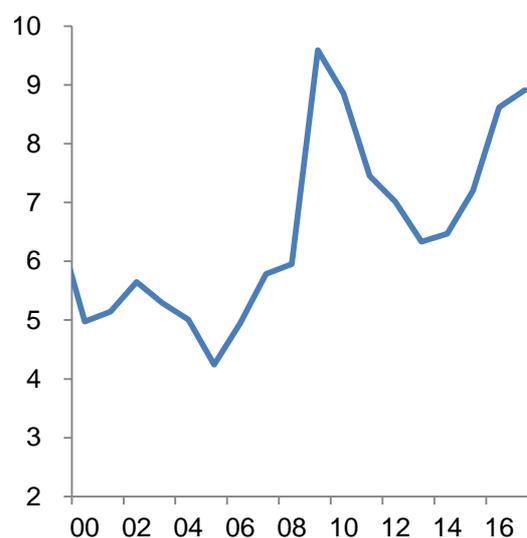
### Key economic forecasts

	2015	2016f	2017f	2018f
GDP growth (% change)	2.8	3.2	3.0	3.1
Inflation (% , year average)	-0.9	0.2	1.2	2.0
Fiscal balance (% of GDP)*	0.3	-0.4	-0.6	-0.6
Public debt (% of GDP)*	43.1	43.6	44.3	45.1
Current account (% of GDP)	8.1	9.0	7.0	6.0
External debt (% of GDP)	33.2	36.0	36.1	35.5

\* 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 – Reserves excluding gold  
(in months of imports of goods and services)



Sources: IIF, Euler Hermes

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