

Monday, 21 November 2011

Thailand: 3Q GDP lower than expected

The Thai economy grew 3.5%y/y and contracted 0.5% q/q saar in 3Q, worse than market expectations of 4.5%y/y and 1.5% q/q saar. This was however more than the revised 2.7% y/y and 0.0% q/q saar in the 2Q. Manufacturing, especially in the automobiles and electronics sector rebounded after the supply chain disruption adversely impacted output in the 2Q, growing 3.1% y/y in 3Q compared to -0.1% in 2Q. On the expenditure side, growth in private consumption and private investment slowed to 2.4% from 2.7% in 2Q, and 3.3% from 4.1% in 2Q, respectively.

With the effects of the devastating floods, we are looking at a contraction for overall 4Q GDP, at -1.5% y/y. The manufacturing sector was badly hit, with most companies in the auto and electronics sector not resuming production yet. Services and tourism were also negatively impacted. Bangkok and the surrounding manufacturing industrial regions account for 25% of the country's GDP and would weigh on the economy in the 4Q. Private consumption and private investment should also register declines in the 4Q on the effects of the flood. National Economic and Social Development Board (NESDB) said the flood wrought an estimated THB 200-300 bn worth of damage. We are revising downwards our full year 2011 forecast from 2.7% to 2.0%. NESDB is expecting -3.7% in 4Q, and 1.5% growth of full year 2011. For 2012, we think GDP could grow 5.0%, as rebuilding efforts take hold. A rate cut on Nov 30 is increasingly priced in, given the adverse impact on the economy brought by the flooding. We think a 25 bps rate cut might be possible during the upcoming policy meeting to support the economy, bringing the policy interest rate to 3.25%.

Growth rates of selected sectors of Real GDP (% Y/Y)						
	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Agriculture	1.5	-4.5	-3.5	7.6	6.7	-0.9
Manufacturing	17.6	11.6	4.8	1.7	-0.1	3.1
Services	3.3	4.2	4.5	4.1	4.2	3.4
GDP y/y	9.2	6.6	3.8	3.2	2.7	3.5
GDP q/q s/adj	0.2	-0.4	1.3	1.8	0	0.5

Source: Office of the National Economic and Social Development Board

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