

Thailand: Headwinds to Growth in 2H08; 1H08 Holds Firm

Thailand's 2Q GDP came in lower-than-expected at 5.3% y/y, slowing for the first time in more than a year, moderating from the revised 6.1% y/y growth in 1Q, according to data from the National Economic and Social Development Board. On a s/adj basis, 2Q GDP rose only 0.7% m/m, compared to the revised 1.3% m/m in 1Q08. For the whole of 1H08 however, GDP growth came to about 5.7% y/y, faster than the 4.8% y/y clocked in 2007.

On that basis, NESDB raised its full-year 2008 GDP forecast to 5.2-5.7% y/y in August, from 4.5-5.5% y/y previously. It justified its higher forecast on better-than-expected export performance in 1H08 and a fiscal stimulus package that could bring about higher consumption in 2H08. The fiscal package includes fuel subsidies and lower utilities for the lower-income group. We maintain our full-year GDP growth forecast of 4.7% y/y for 2008 and expect the fiscal package to have negligible impact on overall GDP.

2H08 is expected to see weaker growth than 1H08, with much of the weakness expected from slowing local demand. Soaring inflation will take a bigger chunk out of consumer spending while political uncertainty will cause investment spending to be delayed. Already, private consumption and GFCF have decelerated in 2Q08, while forward looking indicators for local demand, such as cement sales, commercial car sales, capital goods imports and domestic machinery sale are all showing signs of slowing. At the same time, declining global demand will also limit external export growth.

GDP By Expenditure (y/y %)							
	<u>2006</u>	<u>2007</u>	<u>2Q07</u>	<u>3Q07</u>	<u>4Q07</u>	<u>1Q08</u>	<u>2Q08</u>
GDP	5.1	4.8	4.3	4.8	5.7	6.1	5.3
Private Consumption	3.2	1.4	0.9	1.8	1.6	2.6	2.4
Government Consumption	2.3	10.8	9.3	9.5	16.0	-0.1	-2.4
Gross Fixed Capital Formation	3.8	1.4	0.2	2.6	4.0	5.4	1.9
Exports	8.5	7.1	7.8	3.4	8.6	8.7	9.3
Imports	2.6	3.5	3.0	2.6	5.9	10.3	6.9

Source: CEIC