

Macro Outlook: Thailand And Its Continental SE Asian Neighbors

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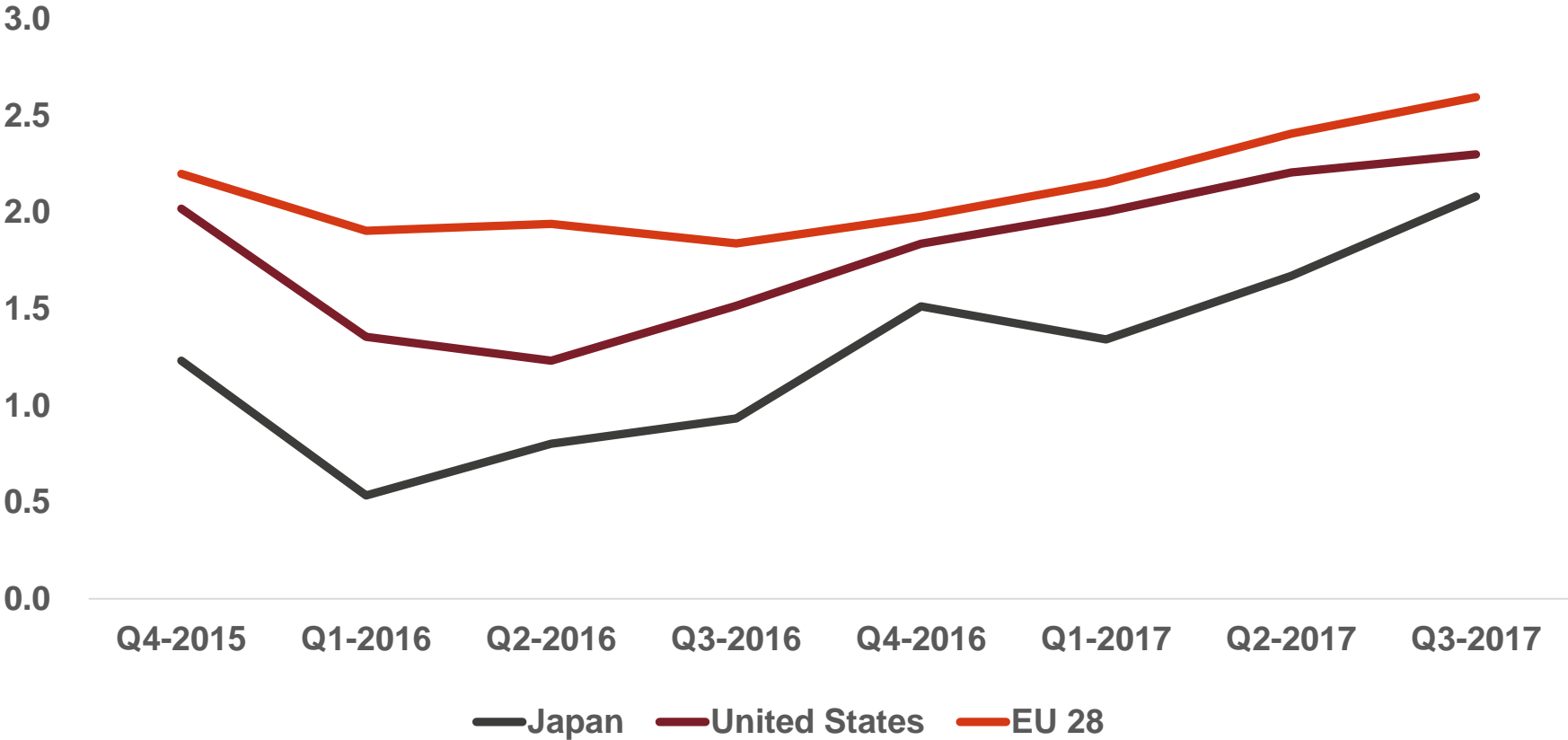
Key Takeaways

- We currently have a synchronized global upturn for the first time in many years. This will benefit smaller and more open dependent economies more than larger, closed ones.
- Global trade has picked up, particularly in electronics. Trade in 2018 is forecast to grow faster than GDP for the first time in many years.
- China's impact on the region is broadening, including for Continental Southeast Asia, and now includes tourism and infrastructure including through the Belt and Road Initiative. These are structural positives.
- A decade of fast growing debt is a risk due to global reflation and rising interest rates. This should be manageable if the transition is gradual.

Global Economic Picture Is Looking Up

GDP Growth In The Advanced Economies Is Showing A Welcome Synchronized Upswing

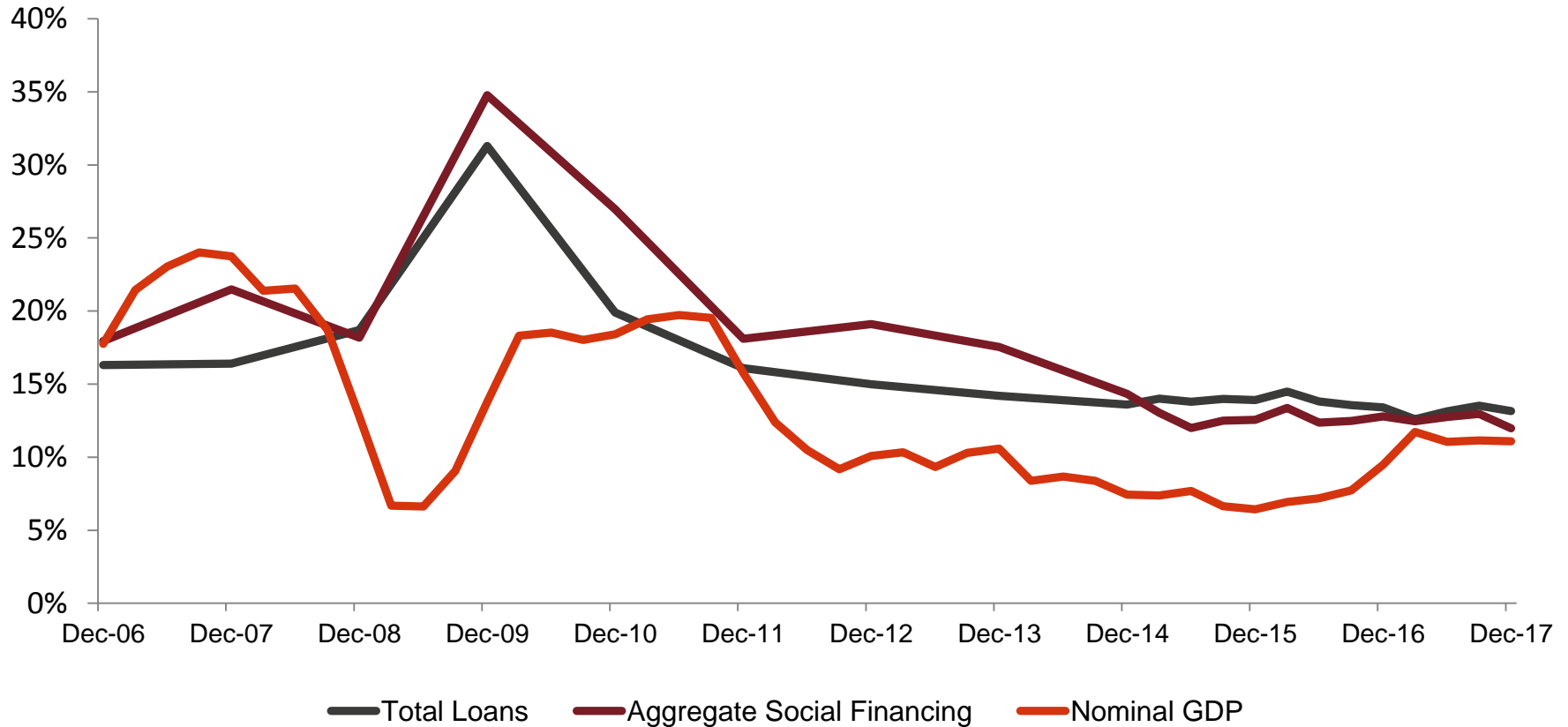
G3 Real GDP Growth (y/y)



Source: WTO and S&P Global Economics

China's Credit Problem is Being Addressed But It's Too Early To Declare Victory

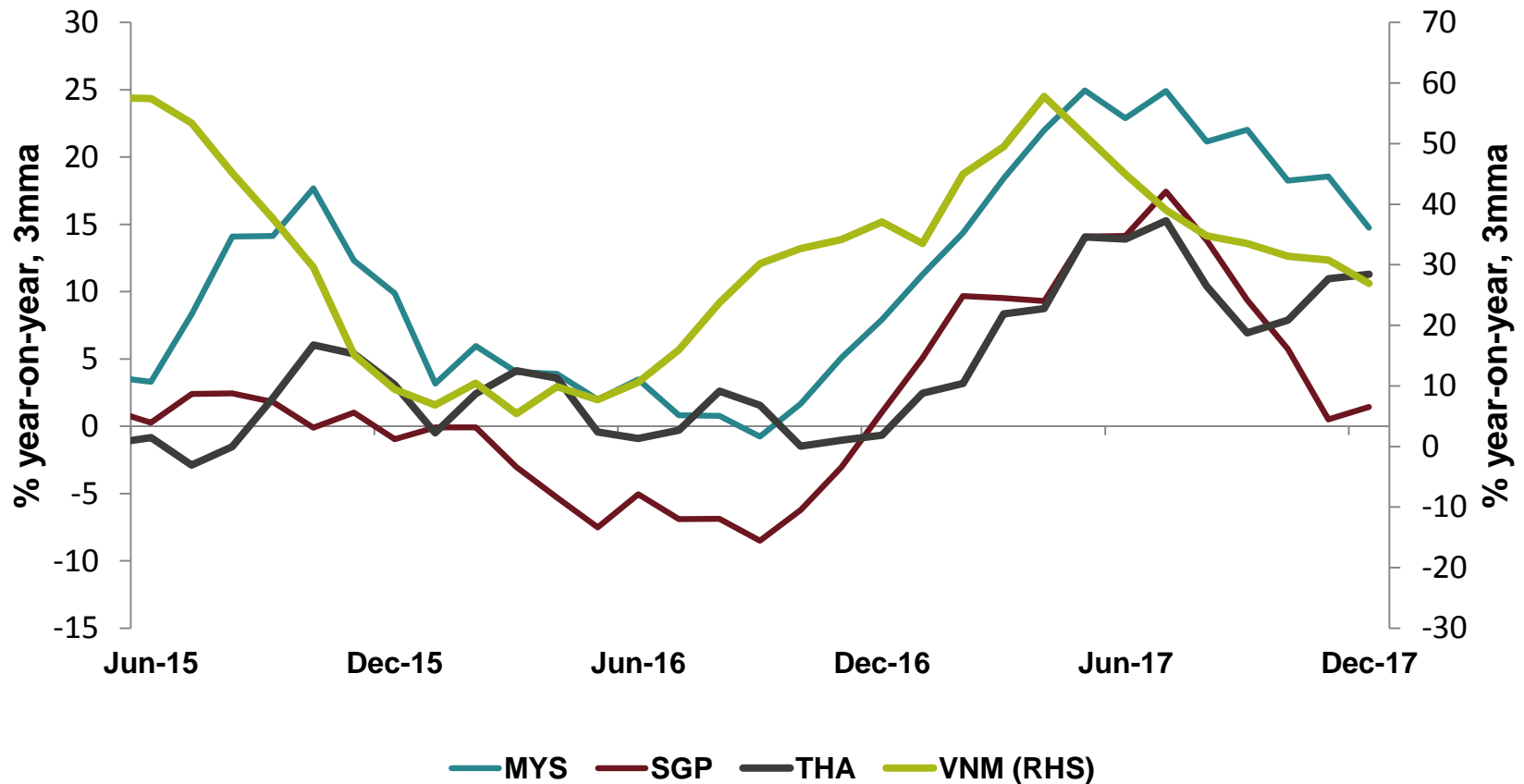
China: Credit Growth and Nominal GDP Growth



Source: CEIC and S&P Global Economics

Electronics Exports Have Rebounded In The Region; SE Asia Has Been A Key Beneficiary

Electronics Exports Growth in Asia



Source: CEIC and S&P Global Economics

Latest Asia-Pacific Growth Forecasts From December 2017 Credit Conditions Round

Real GDP Growth (% year-on-year)				
	2016	2017f	2018f	2019f
Asia-Pacific	5.4	5.5	5.5	5.5
China	6.7	6.8	6.5	6.3
Japan	1.0	1.6	1.2	1.2
India*	7.1	6.8	7.6	7.8
ASEAN	4.8	5.1	5.1	5.2
Thailand	3.2	3.7	3.7	3.6
Vietnam	6.2	6.6	6.5	6.5
*For India, the years refer to fiscal years 2015/16, 2016/17, 2017/18, and 2018/19. f: Baseline S&P forecast				
Source: S&P Global Economics				

Continental SE Asia Macro-Credit Story

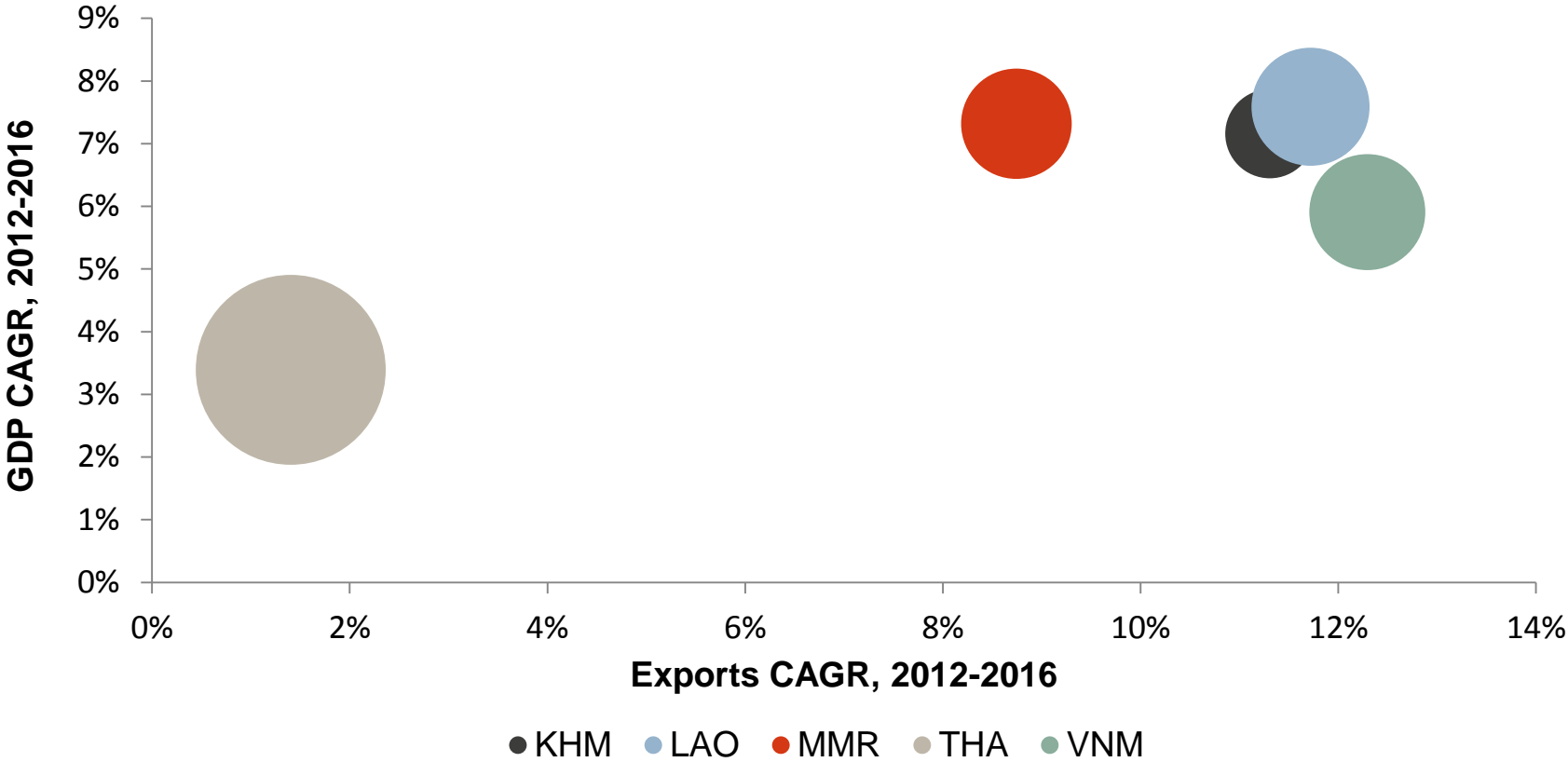
Continental Southeast Asia Macro View

Stable Growth Expected In Near-Term

1. **Rising incomes:** Years of steady growth and demographics are increasing household incomes and expanding the middle class.
2. **Strong external goods trade:** The region has strong export sectors, and will continue enjoy comparative advantage as NE Asia develops.
3. **Rising services inflows:**, Continental Southeast Asia is a major global tourist destination, Thailand in particular, has large services exports.
4. **Risks from credit build up, ageing:** There has been quick credit growth in the region. Demographic changes are relatively slow.
5. **Belt Road Initiative.** Expanding quickly, with SE Asia a beneficiary.

Last 5 Years: Fast Export And Output Growth Outside Of Thailand

Continental SE Asia GDP And Exports Growth

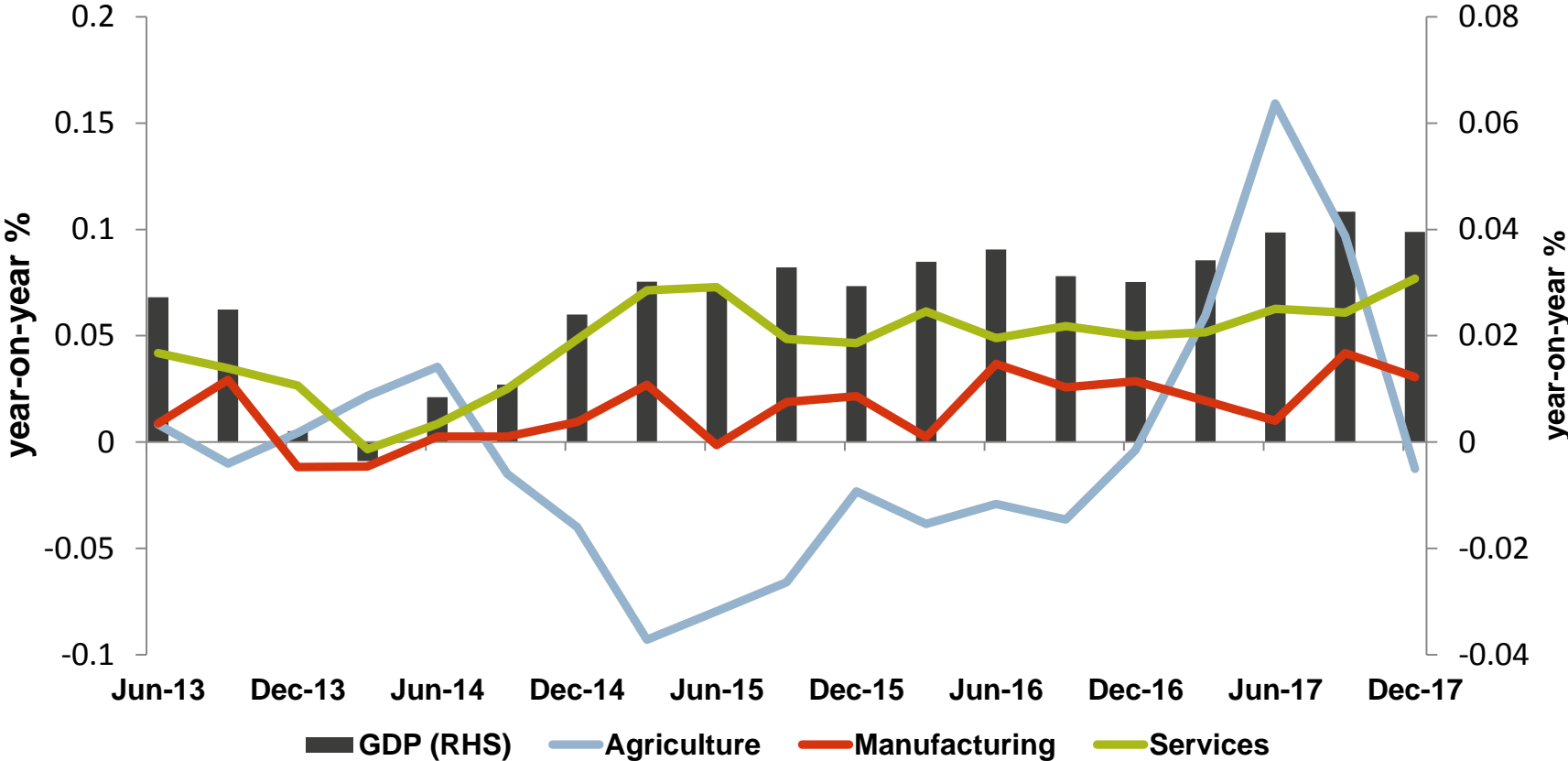


The size of the circle reflects GDP per capita in PPP constant USD terms

Source: World Bank and S&P Global Economics

Thailand GDP By Industry: Services Have Been Driving Growth - Manufacturing Trending Up

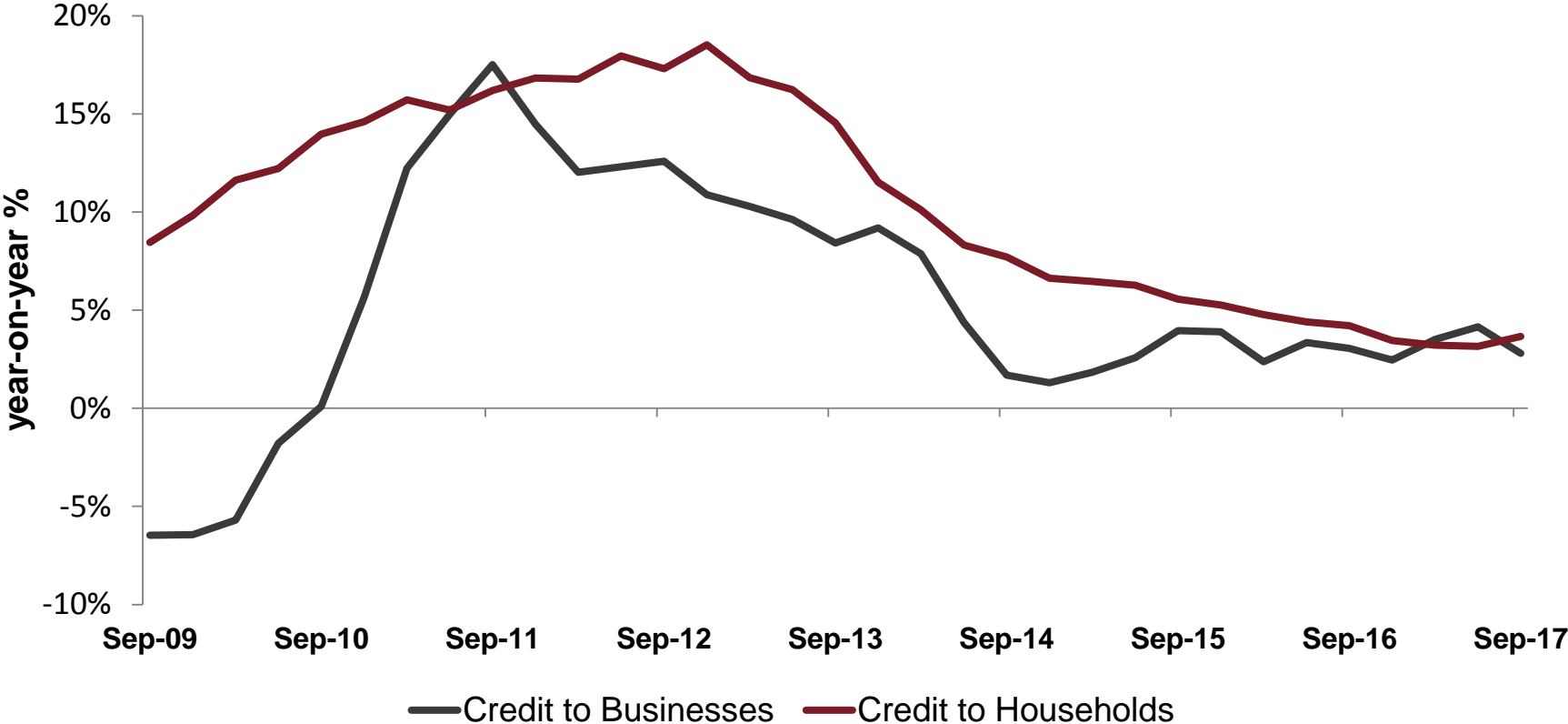
Thailand GDP By Industry



Source: CEIC and S&P Global Economics

Credit Growth In Thailand Slowing; Some Metrics Elevated After Years Of High Credit Growth

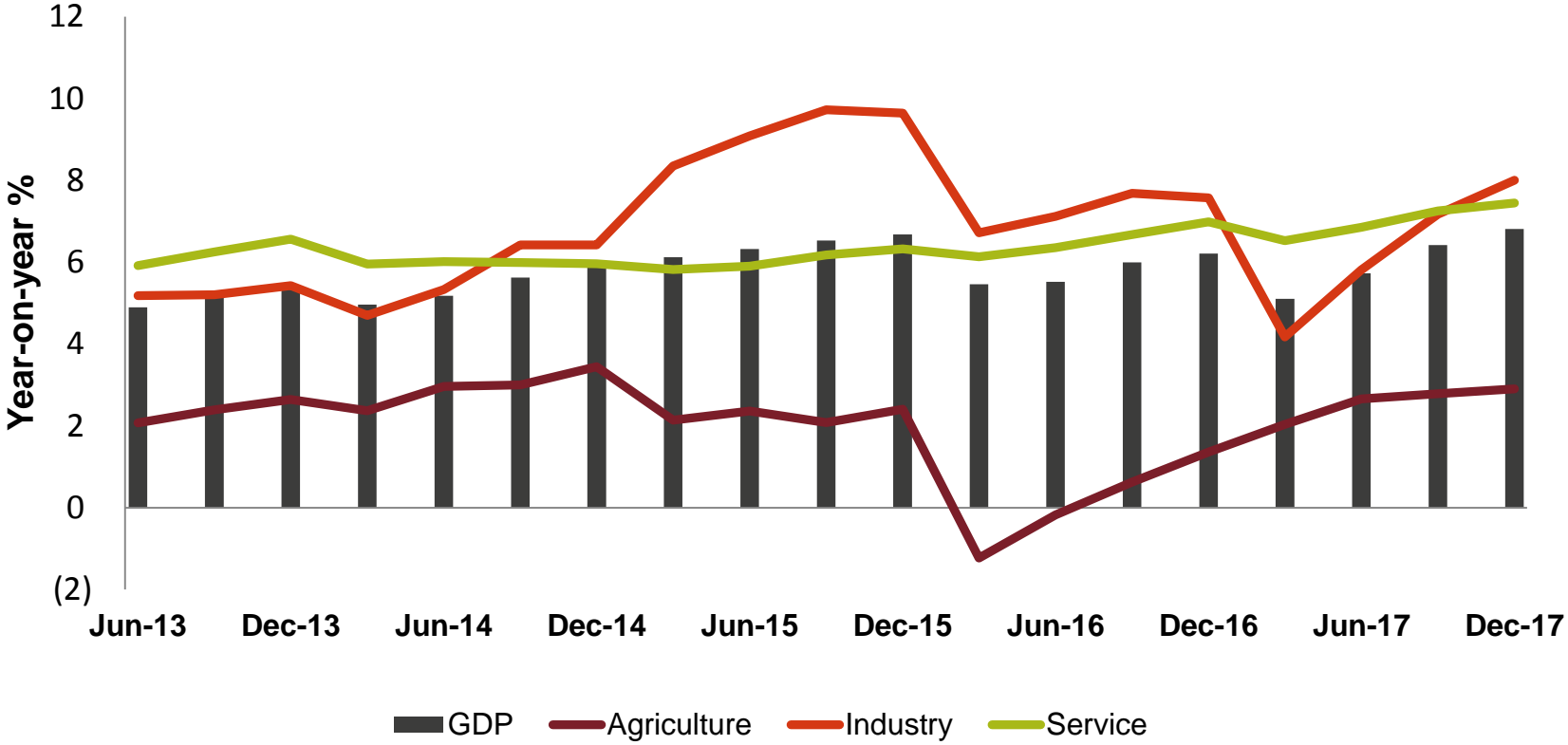
Thailand: Credit Growth



Source: CEIC and S&P Global Economics

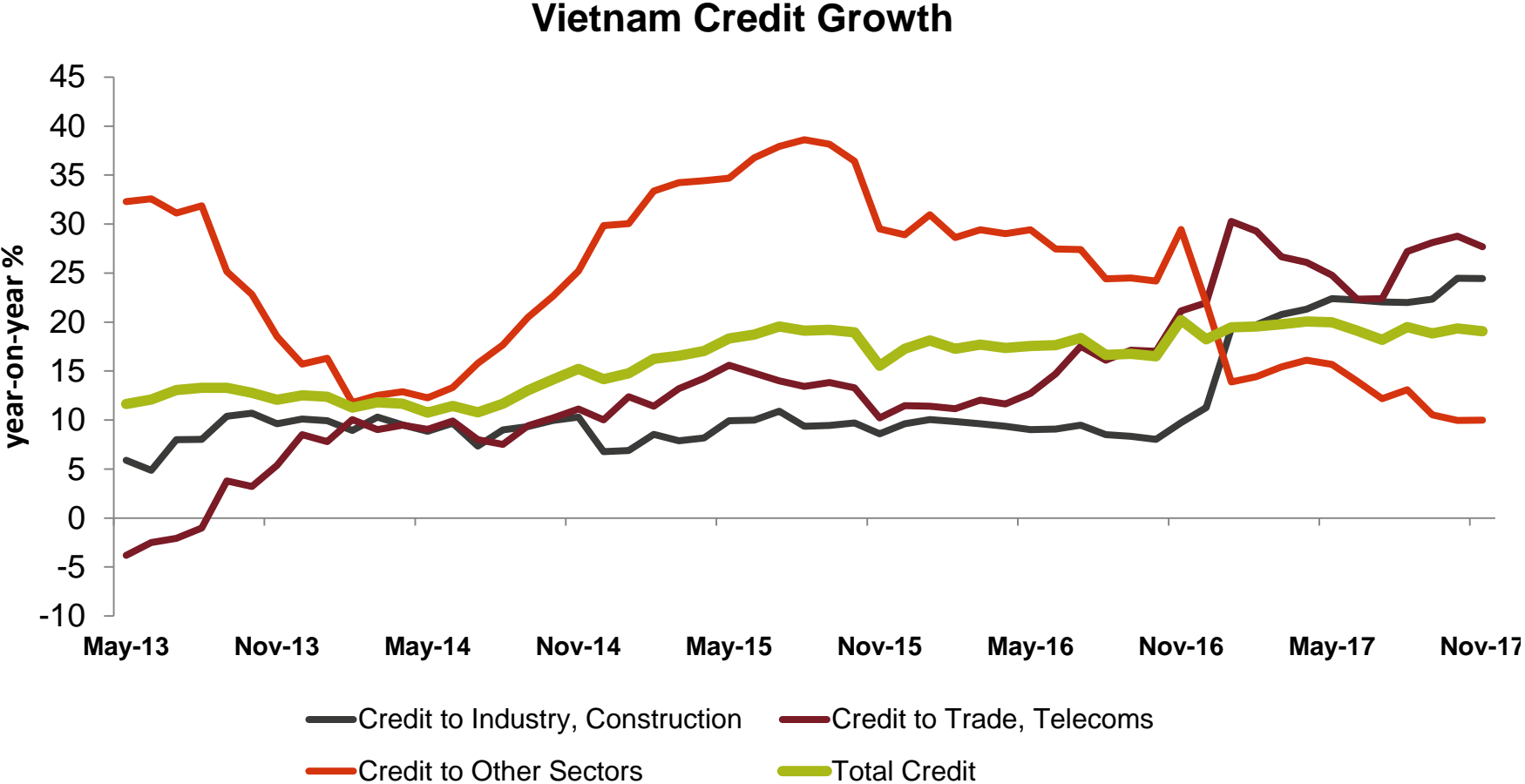
Vietnam GDP By Industry: Manufacturing Driving Growth, Driven By Strong Exports

Vietnam GDP By Industry



Source: CEIC and S&P Global Economics

Vietnam: Sustained Period Of High Credit Growth

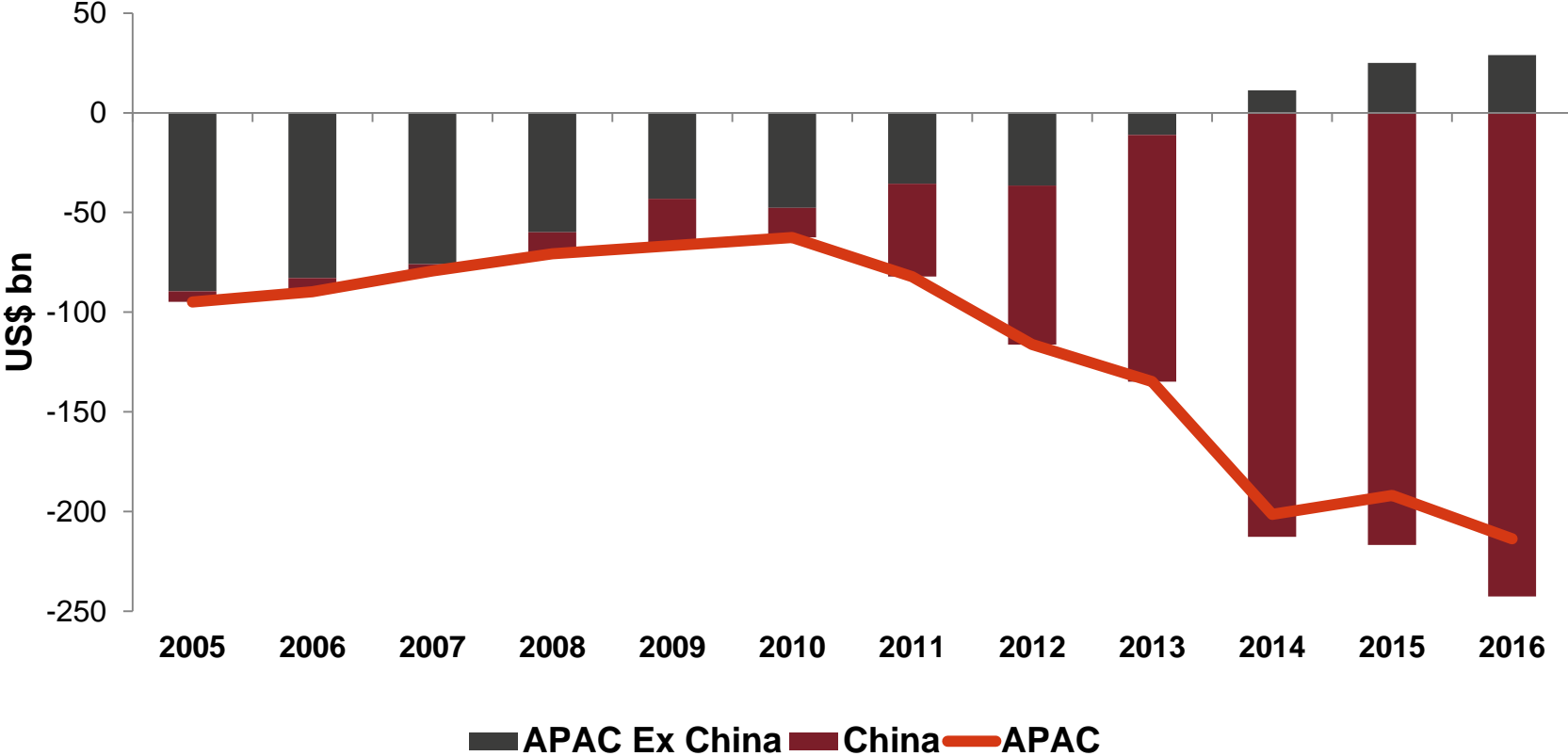


Source: CEIC and S&P Global Economics

Asia's Booming Services Trade Story: Who Benefits?

Services Trade: An Overlooked Development Exports Rising In APAC Outside Of China

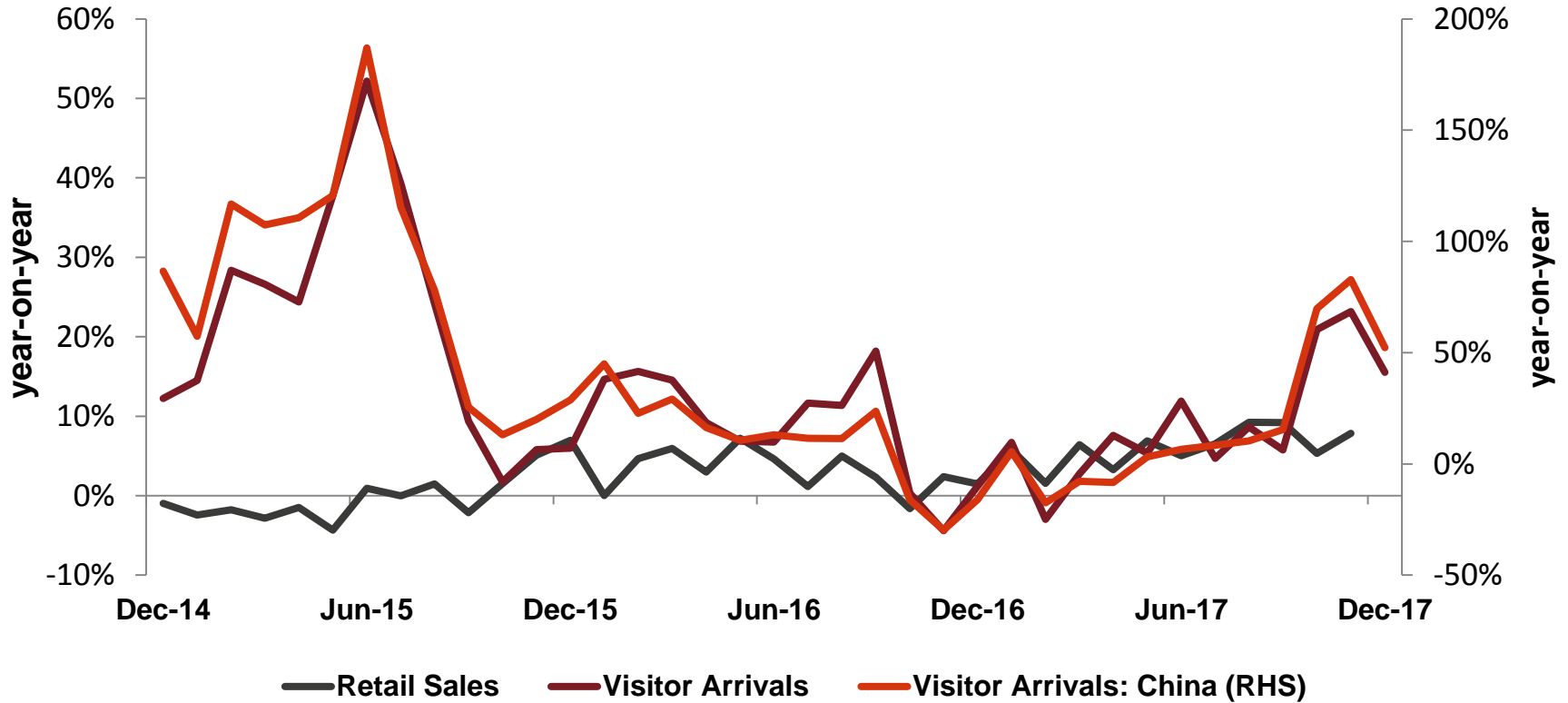
Asia Pacific Services Trade Balance



Source: UN Comtrade and S&P Global Economics

Thailand Tourism - Arrivals From China Are Driving The Boom

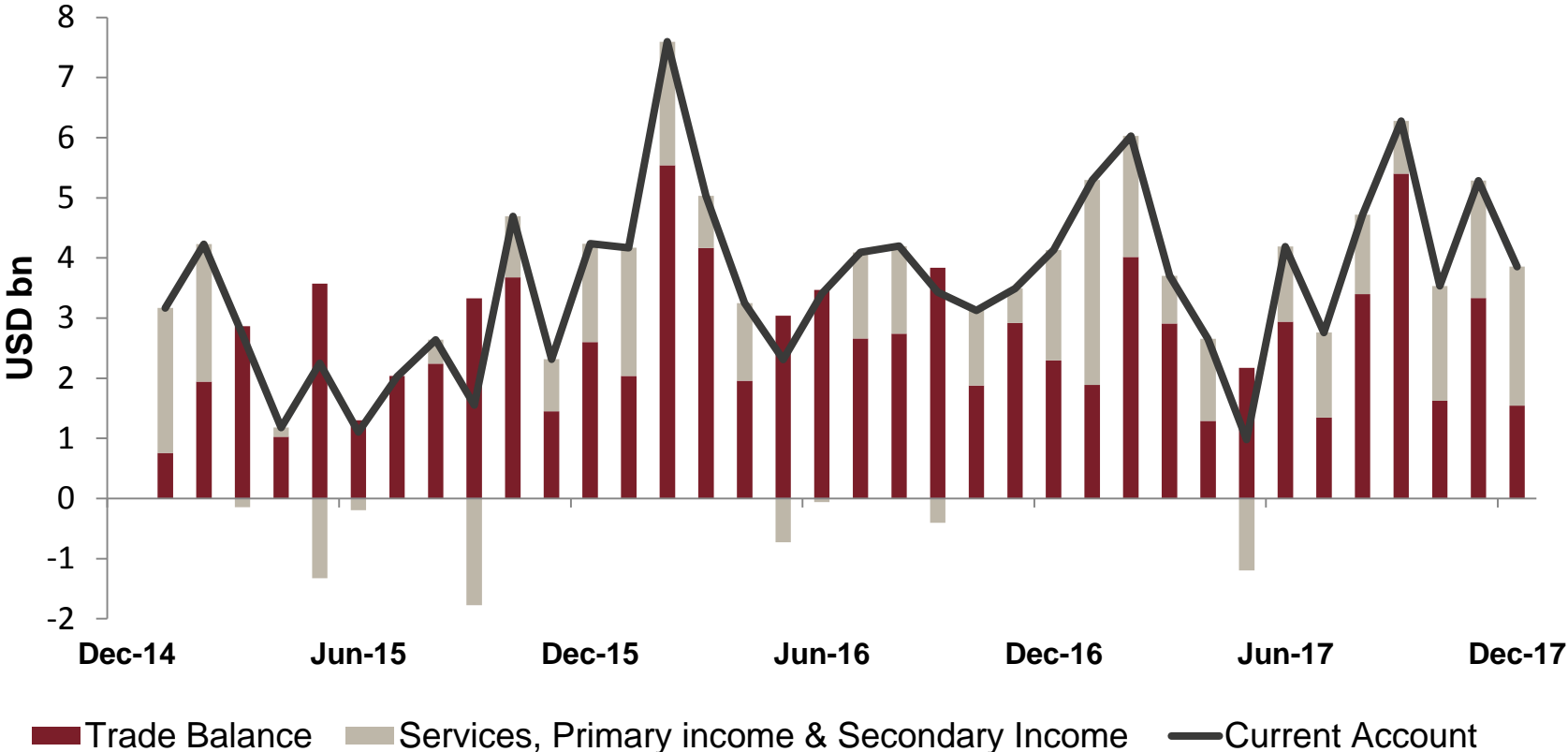
Thailand Visitor Arrivals



Source: CEIC and S&P Global Economics

Services Are A Big Driver Of Thailand's Current Account Surplus

Thailand: Current Account Breakdown



Source: Bank of Thailand and S&P Global Economics

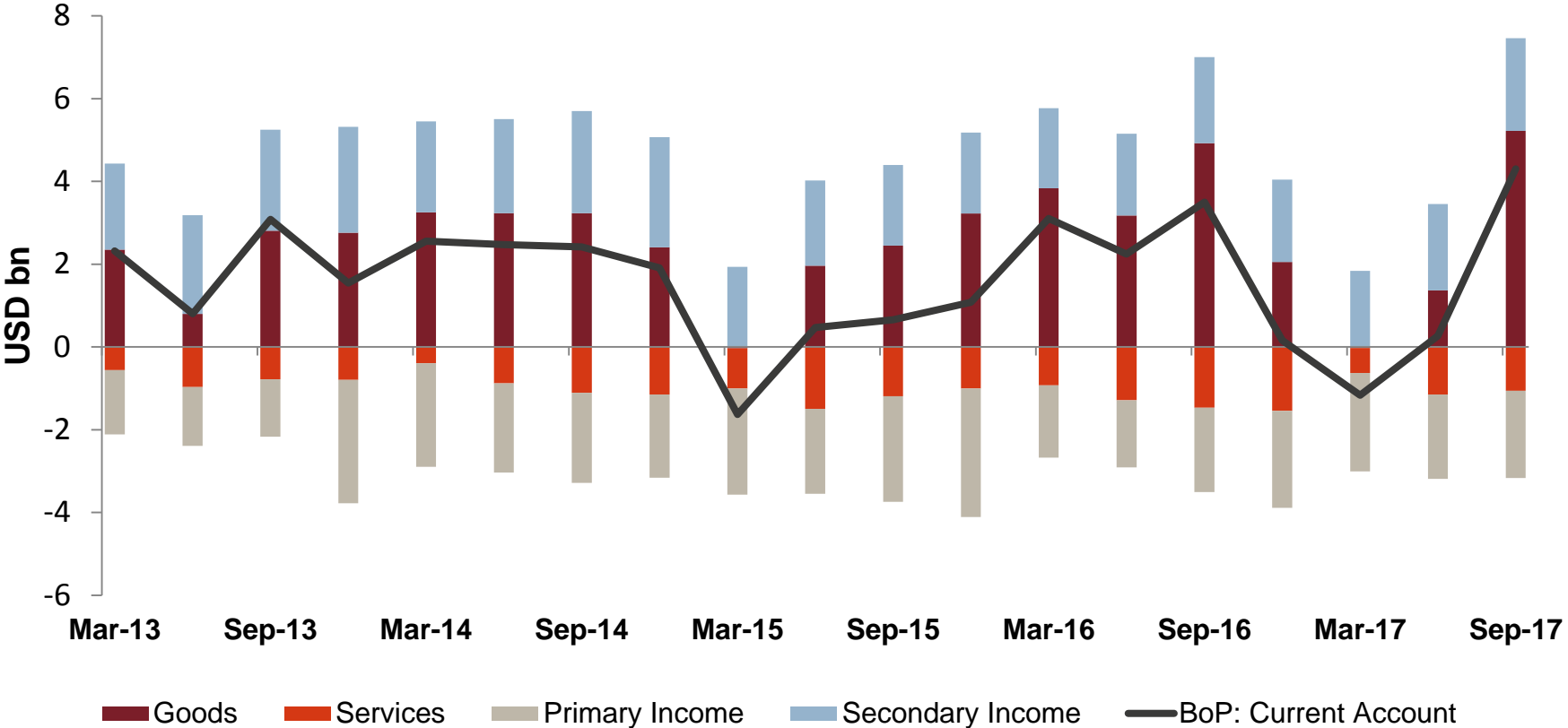
Vietnam Tourism - Chinese Driving A Boom Here As Well



Source: CEIC and S&P Global Economics

Vietnam's External Environment: Resilient Current Account Driven By Goods Surplus

Vietnam: Current Account Breakdown



Source: CEIC and S&P Global Economics

Final Thoughts + The Belt and Road

Continental SE Asia's Three Medium- to Long-Term Structural Advantages

1. Cost Advantage. As Northeast Asia becomes more developed and expensive, (Continental) SE Asia becomes more attractive as an investment destination and place to do business.
2. Tourism. As China's middle class continues to grow and become more international, tourism, to Continental SE Asia, will grow, too.'
3. Belt Road early beneficiary. (Continental) Southeast Asia will be an early beneficiary given its historical links with China.

Belt Road Initiative Could Be Transformative For Continental Southeast Asia

- BRI is still in its early days, but the focus on connectivity across the Eurasian landmass is clear.
- (Continental) Southeast Asia will be an early beneficiary given its historical links with China.
- BRI projects to date have focused on transport, power infrastructure.
- Lower logistic and transport costs should raise productivity and GDP.



Source: www.thailandtrains.com

Thank you!

Thank You



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