

Thai central bank cuts 2014 growth, export forecasts
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Thailand's central bank cut its 2014 forecasts for economic growth and exports, and sees only fractionally higher inflation, suggesting it has room to keep monetary policy easy to help the economy cope with the country's protracted political crisis.

The Bank of Thailand today trimmed its growth projection to 2.7%, from January's forecast of about 3%.

The forecast has been cut steadily since anti-government protests began in Bangkok in November. The central bank's original growth projection for this year, made at the start of 2013, was 4.8%.

The new projections were announced hours after a Thai court declared the February 2 general election void, and one day after besieged Prime Minister Yingluck Shinawatra lifted a state of emergency in Bangkok in a bid to restore some confidence after a reduction in protests aimed at removing her.

However, the economic forecasts were revised well before those political developments, at a meeting of the Monetary Policy Committee on March 12.

Bank of Thailand Assistant Governor Paiboon Kittisrikangwan told a briefing that the growth downgrade reflected weakening domestic demand in the first half.

"Exports are expected to be a main driver of growth this year," he said. "Tourism should improve after the lifting of a state of emergency and that will also help support growth in the second half."

Recovery 'far from certain'

Benjamin Shatil, economist at JP Morgan in Singapore, said getting 3% growth this year "will depend on a gradual recovery in domestic demand into the second half – and this is far from certain. We would not be surprised to see further downgrades to the Bank of Thailand's growth assessment given persistent weakness in domestic activity amidst lingering political uncertainty."

Last month, Thailand's state planning agency, which compiles gross domestic product data, cut its 2014 growth forecast to 3% to 4% from 4% to 5%.

The protests have pushed consumer confidence to a 12-year low last month, hurt consumption and tourism. The number of foreign visitors in January to February was 4.1% below a year earlier.

As domestic demand could stay subdued for months, the central bank expects exports to help drive growth this year. Still, it forecast exports – which account for more than 60% of the economy – to grow only 4.5%, down from 7% seen in October.

In January, exports contracted 1.5% from a year earlier after falling 0.2% in all of 2013.

No functioning administration

After the February 2 election, which protests disrupted, Yingluck has led a caretaker government that has limited powers to borrow or spend. Analysts think it will take a long time before a fully functioning administration is installed.

Growth in Thailand's economy, Southeast Asia's second biggest after Indonesia, slowed sharply to just 0.6% in the last three months of 2013, both on the quarter and on the year.

Last week, the central bank's monetary policy committee voted 4-3 to cut the benchmark interest rate by 25 basis points to 2.0% to lift confidence and spending.

The central bank sees headline inflation this year at 2.5%, compared with 2.4% forecast in October. Its forecast for core inflation this year was raised slightly to 1.5% from 1.2%.

Inflation in Thailand has been benign, curbed by government price controls and subsidies. Annual headline inflation was at 1.96% in February, while the core rate – which strips out food and energy prices – was only 1.22%.

The BOT also projected a current account surplus of US\$700 million, compared with a US\$7 billion deficit seen in October. – Reuters, March 21, 2014

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