

Positive economic outlook

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is the 23rd Governor of the Bank of Thailand, with his five-year term starting in 2015. He is a macro-economist, strategist, and financial professional with more than 20 years' experience in economic policy design, commercial banking, and capital markets. He received his BA in Economics from Thammasat University in 1988 and he went on to receive an MA and PhD in Economics from Harvard University in 1994.

The Bank of Thailand expects that the Thai economy in 2018 will build on momentum from last year, with a more broad-based growth and sound fundamentals. The economy is expected to expand by more than 4 percent in 2018 and 2019, the highest since 2012.

Exports remain the main drivers of growth and continue to benefit from the global economic expansion. The tourism sector continues to perform well, with the number of foreign tourists expected to exceed 37 million this year. As a result, Thailand is expected to maintain a strong current account position of around 8 per cent of GDP in 2018.

As economic growth continues to broaden, private consumption will grow at a steady pace. Moreover, an increase in production of key agricultural crops, along with various government measures aimed at boosting the rural economy, will support consumption, particularly in the low income group.

Private investment is expected to gain further traction, as evidenced by the growth in imports of capital goods. The Eastern Economic Corridor will continue to attract significant investment from foreign and local firms. Private credit growth has improved in line with these developments.

In the public sector, government spending is expected to increase this year as many infrastructure projects have gone through the bidding process and contracts have been awarded. Construction will continue apace for projects such as the dual-track railways, Bangkok metro lines, and expansion of the Suvarnabhumi Airport.

Average headline inflation is expected to reach the lower boundary of the target range of 1 to 4 per cent this year given the rebound in energy prices and continued expansion of the Thai economy. Yet, inflationary pressure remains soft, warranting an ongoing accommodative monetary policy stance.

Meanwhile, global risk factors need to be closely monitored. These include uncertainties surrounding global trade disputes; geopolitical risks and impact from the normalisation of monetary policy in advanced economies, which have led to capital outflows from many emerging economies. Nevertheless, the Thai economy's current account surplus and strong external position, with foreign reserves 3.5 times external short-term debts, will provide significant buffers should uncertainties arise.

While the near-term economic outlook remains favourable, one of the main challenges for Thailand is how to maintain competitiveness, especially against the current backdrop of rapid technology transformation. In response, the Bank of Thailand has launched several initiatives to help prepare the Thai economy for the new digital era.

The development of *PromptPay*, a payment infrastructure to facilitate efficient electronic fund transfer, has propelled the adoption of mobile banking, with over 40 million accounts and close to 3 million transactions per day. Moreover, payment efficiency has improved with the use of a standardised QR Code, which allows for the acceptance of a common QR code for e-payment on any mobile banking platform. To date, QR code for payment is accepted in more than 2 million outlets all over Thailand.

In addition to payment infrastructure, digital transformation requires flexible regulation. The *New Payment Systems Act*, which became effective in April 2018. The Act unifies previously fragmented payment laws and regulations and empowers the Bank of Thailand to both regulate and oversee development of the Thai payment systems in a manner conducive to new payment innovations.

Furthermore, the Bank of Thailand is currently undergoing regulatory reform to eliminate outdated rules and regulations, facilitate ease of doing business and ensure that regulations do not impede innovation. In 2017, the reform began by eliminating processes for foreign exchange transactions and will be further expanded to cover other areas under the Bank of Thailand's jurisdiction.

Lastly, the Bank of Thailand has placed an emphasis on promoting regional financial connectivity, particularly with our CLMV neighbours. The Bank of Thailand, together with central banks in the region, support the use of a local currency as well as regulatory harmonisation. Such initiatives will lower transaction costs, spur trade and investment and deepen overall financial integration, providing the necessary environment for further innovation.

In summary, Thailand's near-term economic outlook continues to strengthen, with a strong position acting as a buffer against external shocks. In the long-term, the Bank of Thailand is committed to facilitating the timely development of financial services and innovation, to ensure sustainable and inclusive growth as well as a competitiveness economy.