

Thailand's outward direct investment expands

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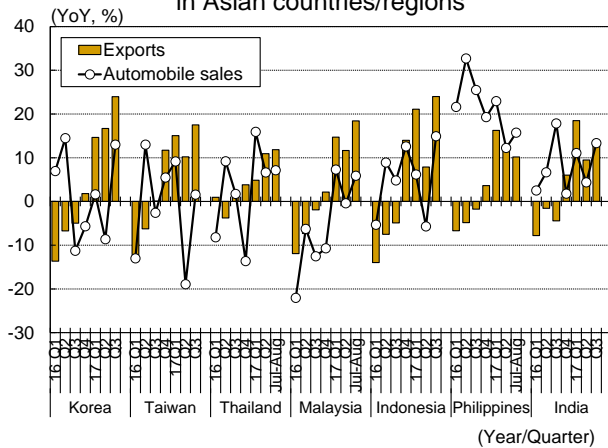
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The Bank of Tokyo-Mitsubishi UFJ, Ltd.
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Asian economies as a whole maintain a solid expansion on the back of firm domestic demand and strong exports. Looking at the Real GDP growth figures in Jul-Sep that have already released, Vietnam accelerated to +7.5% YoY (versus +6.3% in Apr-Jun) supported by the expansion of manufacturing industry due to strong exports, Singapore was +4.6% YoY (versus +2.9% in Apr-Jun) recording the highest growth in about three and a half years. In other Asian economies, major economic indicators in Apr-Jun showed the temporary softening in automobile sales and exports partially due to seasonal factors however many shifted to acceleration in Jul-Sep (see chart 1). Going forward, domestic demand will remain firm driven by private consumption on the back of stable employment and income environment and the ongoing growth-friendly fiscal and monetary policies.

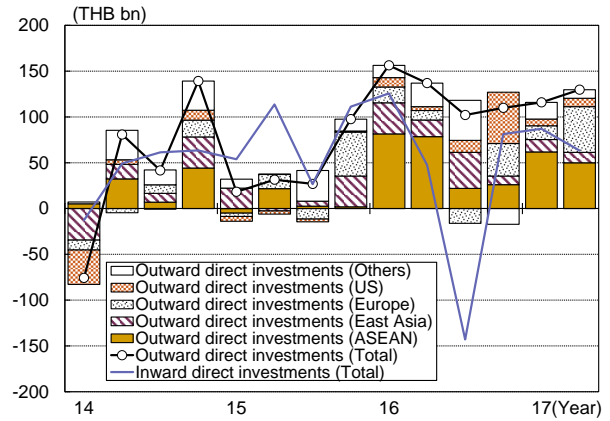
In Thailand where a year has passed since the former King has passed away in October 2016, the economy maintains its solid expansion boosted by rising exports of goods and services amid strong private consumption. Corporate capital expenditure has been lacking of strength as capacity utilization in most sectors of manufacturing industry have been hovering lower level around 50% - 60% except for some sectors such as transportation machinery and chemicals though it has been gradually moving back to recovery trend backed by improvement in corporate earnings and rise in capacity utilization due to rising exports. In recent years, inward direct investment has grown at a sluggish pace while outward direct investment has shown stable expansion which could be one of the background factors (see chart 2). While maturing of domestic market is expected, local leading firms have been actively expanding their businesses in overseas aiming to tap into those markets and access lower labor costs. Such firms have been investing mostly in neighboring Asian countries such as Vietnam, Myanmar and Cambodia, and they are now increasingly investing in European countries and US as well. Such business expansion is noted in sectors like food and beverage, industrials such as cement and oil development, and services such as financial intermediation and retail sales. Business expansion by local firms in Thailand into overseas markets is likely to continue for the foreseeable future, and increasing shares in overseas markets as well as strengthening industrial competitiveness by establishing regional supply chains will accelerate corporate activities and eventually support the economy in the mid-to-long term.

Chart 1: Exports and Automobile sales in Asian countries/regions



Source: Individual country statistics, BTMU Economic Research Office

Chart 2: Inward/Outward direct investments in Thailand



Note: "East Asia" represents the total figures of Japan, China, Hong Kong, Korea and Taiwan.

Source: The Bank of Thailand, BTMU Economic Research Office

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