

## ***Impact of Thai Kings' passing on Economy***

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Thailand's royal palace announced on 13 October that King Bhumibol Adulyadej passed. In Thailand, the royal family has been deeply involved in the politics of the nation for a long time. Against this backdrop, there was growing uncertainty over the succession to the throne, as well as political and economic stability after the king's passing. Investors showed concern about the impact of those factors on the economy and the stock market became volatile before the announcement of the king's passing. However, THB and SET index have rallied on the back of the government's efforts, as described in the next paragraph, to dispel the uncertainty over the nation's stability after the king's passing.

Looking at the influence of the past political and social events in Thailand on the country's economy, we believe that the impact of the king's passing on the economy would be limited as far as the political stability is ensured (Chart 1 and Table 1). The government expressed its commitment to following the roadmap for the enactment of a new constitution and general elections paving the way for a return to the democratic government. In addition, Crown Prince Maha Vajiralongkorn is expected to be the next king and it is likely that a prolonged uncertain situation that the country experienced in the recent political crisis would be avoided. The government has requested that the industrial communities try their best to minimize the impact of the mourning on the economy. According to the survey conducted by the Japanese Chamber of Commerce, Bangkok for its membership companies, as well as other locally available information, overall corporate activities in the country seem to be normal. Based on this information, it is unlikely that corporate production activities would be hampered by the mourning period in contrast to the case where the production activities were suspended by the supply chain disruption caused by the severe flooding in 2011. The government urged the public to refrain from organizing entertainment events for 30 days. We anticipate that discretionary consumption including tourism revenue, which accounts for about 30% of GDP, would fall. However, the decline in the discretionary consumption is expected to be limited and it is anticipated to push down the real GDP growth rate by only -0.2%pt in 2016 and -0.1%pt in 2017 (see note). We believe that the Thai economy is expected to remain a moderate recovery path throughout the next year.

Note: Discretionary consumption growth is projected to slow down in Q4 2016 to the level of half of the growth achieved in the last year (given a -30% QoQ decline in Q3 2015 when the terrorist bombing occurred in Bangkok). Then the downward pressure would be eased during the period from Q1 2017 through Q3 as the mourning period. In Q4 2017, we anticipate that the discretionary consumption will bounce back to or above the level seen before its growth decelerates in Q4 2016.

Chart1: Real GDP Growth, Thailand

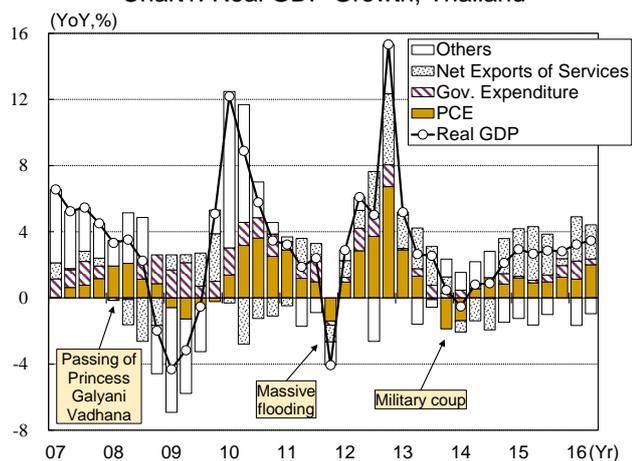


Table 1: Thai Political and Social Events and Impact on Economy

	Passing of Princess Galyani Vadhana	Massive flooding	Military coup	Passing of King Bhumibol Adulyadej
Quality	Royal mourning	Supply chain disruption	Lengthy political and social turmoil	Royal mourning
Time	Jan 2018	Oct-Dec 2011	Nov 2013 to May 2014	Oct 2016
Affected period	[Mourning period] 15 days for government and civil servants	About 2 months	About 6 months	[Mourning period] 1 year for government and civil servants
Impact on economy	Minor	Major	Moderate	Minor (expected)
Real GDP (YoY)	+5.4% in 2007 +3.3% in Q1 2008	+0.8% in 2011 (-4.1% in Q4) +7.3% in 2012	+4.5% in 2013 +0.9% in 2014 (-0.5% in Q1)	-0.2% pt in 2016 -0.1%pt in 2017
Affected demand	Government Expenditure	Export of goods, Private consumption	Private consumption, Gross Fixed capital formation, Export of services	Government Expenditure, Private consumption, Export of services

Source: Statistical data of thailand

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