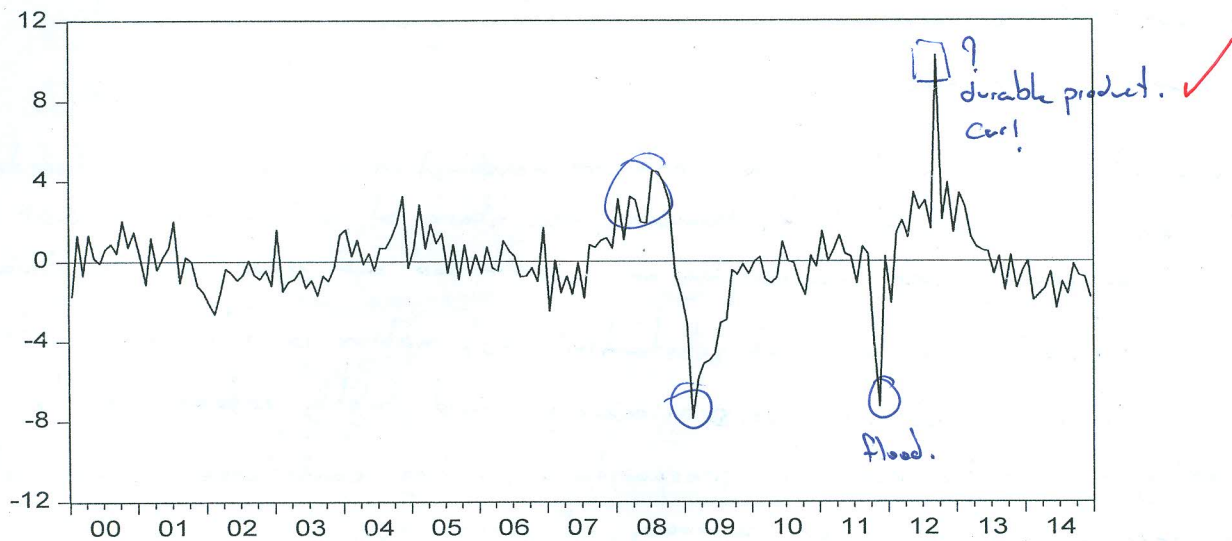


2. From Figure 1, discuss impacts of the deviation from long-term growth path of private consumption expenditure. Examine the implication on Thailand's long term growth?

Figure 1: Private Consumption Index

Deviation from trend consumption path



As always stated, the sustainable growth of any thing is the stable growth with limited disruption. Consumption growth in Thailand has been interrupted in many ways. Firstly, prior to the 2008 financial crisis the economic growth has somewhat create the Minsky moment for Thai consumer. SET index has a rising trend add to people's net wealth and thus, people adjust their life-time income under the life cycle hypothesis. Spending rose 4% above the growth path. However, every party has its end. The Global Economic Recession (GER) originated in the US struck Thailand as investors flight back to their own countries. ^{Reverse} Net wealth causes the drop in consumption, but at the same time, high negative income effect of our trade partner (the US) reduces our export which causes many firm to lay-off their workers and depress consumption further. However, the regain of consumption is quick and we can observe a v-shape recovery, because we have a flexible wage which ^(prevent) cushion us off from a long-period of high unemployment.

In the year 2011, the great flood struck Thailand which reduce and paralyse economic activity for days or even weeks. This disaster causes people to lose their economic incentive to consume in current consumption and many had to repair their damaged property, thus reducing their net wealth.

In the year 2012, I speculate on the first-car policy of the government at the time the create demand for automobile industry (a short period of time) and thus surge up the durable consumption in that year via tax incentives to promote auto the demand.

All in all, the deviation from the trend of consumption growth mainly created from an internal and external shock. However, the share of consumption to GDP of Thailand has been dropping since we employ an export-led and ever prior to Asian Financial Crisis era. ^{Although} The impact is not substantial, consumption is still an important indicator for firms in investment decision making and highly related to the inclusion of citizen in the economic prosperity. Boosting confidence in time of crisis is essential to the quick recovery of economy.