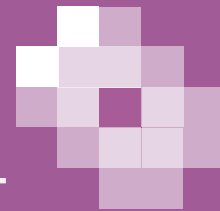




# NESDB ECONOMIC REPORT



## Thai Economic Performance in Q4 and 2015 and Outlook for 2016

Macroeconomic Strategy and Planning Office

Press Release 9.30 a.m. February 15, 2016

Economic Projection of 2016

(%YoY)	2014	2015			Projection
	Year	Year	Q3	Q4	2016
GDP (CVM)	0.8	2.8	2.9	2.8	2.8 - 3.8
Total Investment	-2.4	4.7	-2.6	9.4	4.9
Private	-1.0	-2.0	-10.1	1.9	3.2
Public	-7.3	29.8	21.9	41.4	11.2
Private Consumption	0.6	2.1	1.8	2.5	2.7
Public Consumption	2.1	2.2	2.3	4.8	3.7
Export of Goods	-0.3	-5.6	-4.7	-7.9	1.2
Volume	0.7	-3.4	-1.8	-5.4	1.7
Import of Goods	-8.5	-11.3	-14.5	-13.2	1.3
Volume	-6.8	-0.6	-3.1	-2.5	3.5
Current Account to GDP (%)	3.8	8.9	7.6	13.4	8.2
Inflation	1.9	-0.9	-1.1	-0.9	(-0.1) - 0.9

❑ **The Thai economy in the fourth quarter of 2015** expanded by 2.8 percent, compared with a 2.9 percent growth in previous quarter. After seasonal adjustment, the Thai economy in the fourth quarter expanded by 0.8 percent from the third quarter (QoQ\_SA).

❑ **On the expenditure side**, domestic demand grew at a faster pace, in line with the acceleration in public investment, private and public consumption expenditure, and improvement in private investment. On the contrary, export of goods contracted and imposed constraints on economic growth in this quarter. **On the production side**, non-agricultural production had stronger growth than the first 3 quarters, in line with the strong expansion of construction sector, as well as favorable expansion of hotel and restaurants and other services sector, and modest growth in manufacturing sector. Meanwhile, agricultural sector was impacted by the drought.

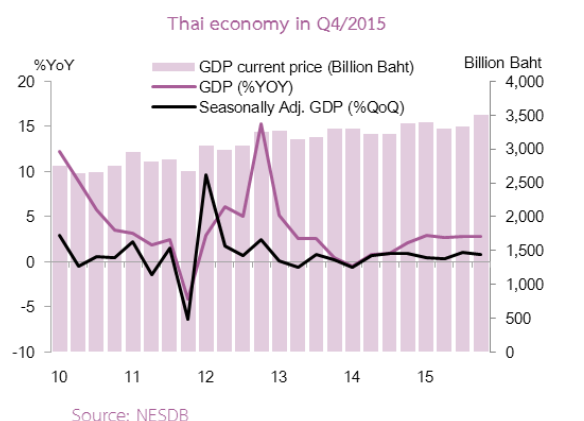
❑ **In 2015**, Thai economy grew by 2.8 percent, higher than the 0.8 percent growth in 2014. Private consumption and total investment expanded by 2.1 and 4.7 percent respectively. Headline inflation stood at -0.9 percent, and current account registered a surplus equivalent to 8.9 percent of GDP.

❑ **Thai economy in 2016** is forecasted to grow by 2.8 - 3.8 percent, supported by (i) the acceleration of government expenditure and public investment; (ii) contribution from the additional economic stimulus measures rolled out during September 2015 – January 2016; (iii) depreciation of Thai baht which will enhance income and liquidity for exporters and producers; (iv) low oil price will accommodate economic recovery; and (v) continual expansion of the tourism sector. It is expected that export value will grow by 1.2 percent; private consumption and total investment will grow by 2.7 and 4.9 percent respectively. Headline inflation is expected to lie in between (-1.0) - 0.9 percent and the current account balance will be in a surplus of 8.2 percent of GDP.

❑ **Economic management in 2016** should place emphasis on (i) implementation of key infrastructure projects under the Action Plan for Transport Infrastructure Development, urgent phase for 2016 which are ready for tendering and can start to disburse investment budget within 2016, and the water resource management and road transport system projects under Economic Stimulus Package phase II; (ii) implementation of key measures under the Economic Stimulus Package to support low-income earners and farmers; (iii) supporting the recovery and the expansion of private investment by encouraging investors to enjoy the investment privileges from various measures approved by the Cabinet, and by proactively promoting investors to invest in the targeted industries; (iv) driving export sector by implementing the Ministry of Commerce's international trade strategies for 2016 – 2021, especially through measures to promote border trade with CLMV countries, promote trade in services and to collaborate with private sectors to find new potential markets, as well as to eliminate obstacles caused by government's operational process and regulations, and (v) promoting domestic tourism sector and launching tourism campaign activities in major tourism clusters, and also developing tourism-related products jointly with neighboring countries, as well as solving key problems such as frauds against tourists and safety.

## The Thai economy in the fourth quarter 2015 and the outlook for 2016

The Thai economy in the fourth quarter of 2015 expanded by 2.8 percent, compared with a 2.9 percent growth in previous quarter. **On the expenditure side**, domestic demand grew at a faster pace, in line with the acceleration in public investment, private and public consumption expenditure, and improvement in private investment. On the contrary, export of goods contracted and imposed constraints on economic growth in this quarter. **On the production side**, non-agricultural production had a stronger growth than in the first 3 quarters, in line with the strong expansion of construction sector, as well as favorable expansion of hotel and restaurants and other services sector, and modest growth in manufacturing sector. Meanwhile, agricultural sector was impacted by the drought. After seasonal adjustment, the Thai economy in the fourth quarter of 2015 expanded by 0.8 percent from the third quarter (QoQ\_SA). **In 2015**, the Thai economy grew by 2.8 percent.



### Thai economy in the fourth quarter of 2015 and in 2015

1) **Private consumption expenditure** expanded by 2.5 percent, accelerating from a 1.8 percent growth in the previous quarter. The expansion was supported by the expansion of consumption expenditure on non-durable goods and the slower decline in the sales of passenger cars. The improvement in private consumption was in line with the acceleration of electricity consumption, sales of diesel and benzene (and gasohol). Meanwhile, the sales of passenger cars declined by 11.9 percent compared with a contraction of 24.6 percent last quarter. It was partially a result of the acceleration of car demand before the adjustment of excise tax rate applied since the first of January 2016. Consumer Confidence Index pertain the overall economic situation stood at 63.6 which improved from 61.8 in the last quarter.

**In 2015**, private consumption expenditure expanded by 2.1 percent, compared with 0.6 percent expansion in 2014.

2) **Total investment** grew by 9.4 percent, improving from a 2.6 percent contraction in the previous quarter. Public investment grew by 41.4 percent, accelerating from 21.9 percent growth in the third quarter as investment by government grew by 55.8 percent due to the improvement in disbursement rate of investment budget and the budget disbursement of the water resource management and road transport system projects. Furthermore, investment by State-Owned Enterprise grew by 16.3 percent. Meanwhile, private investment expanded by 1.9 percent, which improved from a 10.1 percent contraction in previous quarter. This was a result of the growth of 2.7 percent in machinery and equipment investment. The Business Sentiment Index (BSI) stood at 49.7 compared with the level of 46.7 in the last quarter.

**In 2015**, total investment grew by 4.7 percent, where public investment grew by 29.8 percent and private investment fell by 2.0 percent.

3) **Export value** was recorded at 52.3 billion US dollars, representing a 7.9 percent contraction. The export quantity declined by 5.4 percent and export price contracted by 2.7 percent due to economic deceleration of key trading partners and the decline in export prices. **Exports whose values declined** include rice, rubber, tapioca, petro-chemical products, petroleum products, chemicals, and machinery and equipment. On the other hand, **exports whose values increased** include

passenger cars, integrated circuits and parts, and air conditioning machines. Exports to the US, EU (15), China, Japan, ASEAN (5), and Australia continued to decline, while exports to CLMV continued to expand. Export value, excluding unwrought gold, contracted by 8.5 percent. **In baht term**, the value of export, recorded at 1,872 billion baht, increased by 0.9 percent.

**In 2015**, export value declined by 5.6 percent. Export quantity and price fell by 3.4 percent and 2.3 percent respectively. **In baht term**, export value decreased by 0.5 percent.

- 4) **Manufacturing production** expanded by 0.8 percent, compared with a 1.0 percent growth in the previous quarter. Industries with positive growth includes vehicles, rubber and plastic products, petroleum products, and food and beverages. Industries with negative growth includes hard disk drive, clothing, radio and television parts. The Capacity Utilization Rate (CAPU) stood at 63.4 percent.

**In 2015**, industrial sector increased by 0.9 percent. Manufacturing Production Index (MPI) expanded by 0.3 percent. The Capacity Utilization Rate (CAPU) stood at 64.7 percent.

- 5) **Hotel and restaurants sector** expanded by 5.0 percent, decelerating from 12.7 percent growth in the previous quarter. Number of inbound tourists stood at 7.8 million persons, or a 3.7 percent increase, decelerating from 24.9 percent growth in previous quarter. The tourism revenue amounted to 420.6 billion baht, increased by 7.8 percent. The average occupancy rate was at 61.8 percent, compared with 64.3 percent in the same period last year (the latest information available for January and 1 – 10 February 2016 shows that the inbound tourist records at Suwannabhum Airport increased by 17.1 and 18.5 percent respectively).

**In 2015**, hotel and restaurants sector expanded by 14.0 percent. Number of inbound tourists stood at 29.9 million persons, or a 20.4 percent growth. The tourism revenue amounted to 1,523.6 billion baht, increased by 22.0 percent; the average occupancy rate was at 61.7 percent.

- 6) **Construction sector** expanded by 23.9 percent, accelerating from a 9.4 percent growth in the previous quarter. In details, public construction rose by 54.5 percent (government construction rose by 66.8 percent, and SOEs' construction increased by 15.8 percent). Meanwhile, the private construction declined by 1.3 percent which was in line with the decline in permitted construction areas, as well as sales of steel and cement products.

**In 2015**, construction sector expanded by 15.8 percent, with public and private construction growth of 33.7 and 0.7 percent respectively.

- 7) **Agricultural sector** dropped by 3.4 percent, compared with a 5.5 percent contraction in the previous quarter, due to the decline in production of key agricultural products caused by drought, particularly paddy rice, rubber, palm oil, sugarcane, and fruits. Agricultural Price Index decreased by 5.8 percent. The decreases of major agricultural products and prices lowered farmers' income by 8.8 percent.

**In 2015**, agricultural sector dropped by 4.2 percent, which was in association with a drop of Agricultural Production Index by 5.3 percent. Agricultural Price Index and farmers' income declined by 5.9 and 10.8 percent, respectively.

### Thai economy in 2016

**Thai economy in 2016 is forecasted to grow by 2.8 - 3.8 percent, with a mid-point of 3.3 percent**, accelerating from 2.8 percent in 2015. The improvement in growth will be supported by (i) the acceleration of government expenditure and investment per the increased budget and disbursement rate in FY2016, as well as the progress in implementation of key infrastructure projects which will lead to higher disbursement rate of SOE's budget; (ii) positive contribution from the additional economic stimulus measures rolled out during September 2015 – January 2016; (iii) depreciation of the Thai baht which will help enhance income and liquidity for exporters and producers; (iv) low oil price will raise real purchasing power of consumers and businesses, as well as accommodate the implementation of expansionary monetary policy; and (v) continual expansion of the tourism sector. It is expected that export value will grow by 1.2 percent; private consumption and total investment will grow by 2.7 and 9.3 percent respectively. Headline inflation is expected to lie in between (-0.1) - 0.9 percent and the current account balance will be in a surplus of 8.2 percent of GDP.

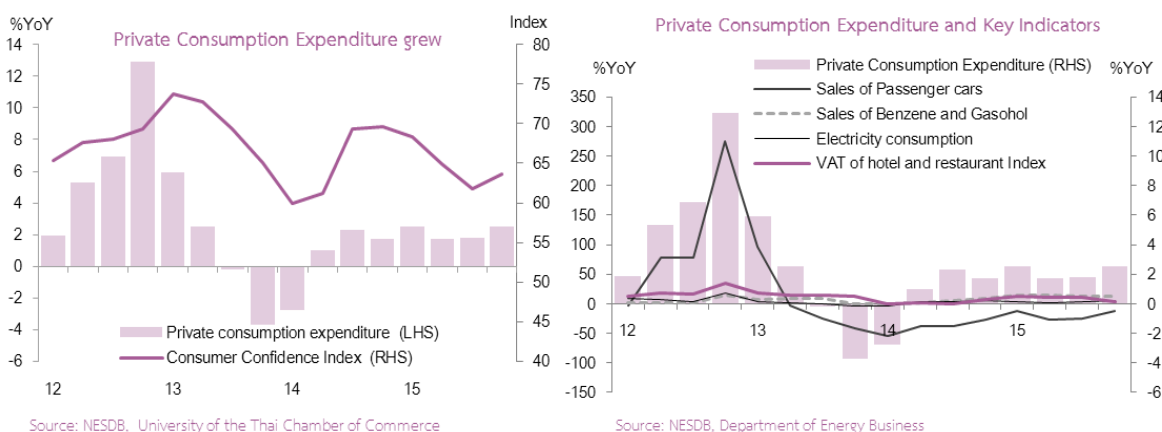


## 1. The Thai Economy in Q4/2015

### Expenditure Side:

**Private consumption expenditure accelerated due to expansion of consumption expenditure on non-durable goods and the decelerated decline in the sales of passenger cars.** In the fourth quarter of 2015, private consumption expenditure expanded by 2.5 percent, accelerating from a 1.8 percent growth in the previous quarter. The improvement in private consumption was in line with the acceleration of electricity consumption, sales of diesel and benzene (and gasohol), which rose by 5.1, 5.5, and 12.4 percent, accelerating from 2.8, 5.0, and 12.3 percent in the last quarter, respectively as crude oil price continued to fall. Similarly, the sales of passenger cars and motorcycles declined by 11.9 and 3.7 percent, compared with a contraction of 24.6 and 16.4 percent, respectively in the last quarter. It was partially resulted from the acceleration of car demand before the adjustment of excise tax rate applied from the first of January 2016. Consumer Confidence Index pertaining the overall economic situation stood at 63.6 which improved from 61.8 in the last quarter.

**In 2015**, private consumption expenditure expanded by 2.1 percent, compared with 0.6 percent expansion in 2014.



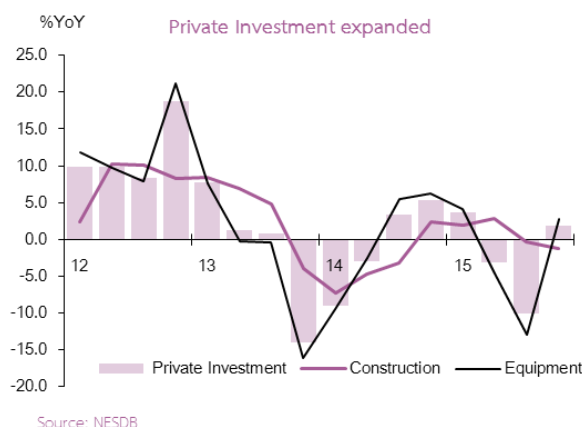
**Private investment expanded once again after 2 consecutive quarter of contraction. Such improvement is supported by the increase of investment in machinery and equipment. Meanwhile the construction investment continued to contract.** In the fourth quarter of 2015, private investment expanded by 1.9 percent, which improved comparing with 3.1 and 10.1 percent contraction in the second and third quarter, respectively. **The machinery and equipment investment** grew by 2.7 percent, which also improved comparing with 13.0 percent decline in the previous quarter. This was supported by the 3.1 percent expansion of import value of capital goods and the 17.4 percent growth of sales of passenger cars, which expanded again for the first time in the past 10 quarters, compared with a contraction of 0.3 and 0.1 percent in the previous quarter, respectively. However, **the construction investment** continued to contract by 1.3 percent, compared with the 0.3 percent contraction in the previous quarter. The sales of cement, steels and construction area permitted in the municipal and vicinity areas declined by 0.8, 5.1, and 17.5 percent, respectively. Likewise, **the value of projects applied for the investment promotion** this quarter was recorded at 62.4 billion baht, which diminished by 95.8 percent, compared with 66.1 percent contraction in the previous quarter. Similarly, **the value of projects approved by BOI** was recorded at 144 billion baht, which declined by 51.5 percent. However, the number of projects approved increased by 0.4 percent. The Business Sentiment Index (BSI) stood at 49.7, compared with the level of 46.7 in the last quarter.

**In 2015**, private investment declined by 2.0 percent. The machinery and equipment investment declined by 2.7 percent, but the construction investment expanded by 0.7 percent.

*In the fourth quarter of 2015, Private consumption expenditure accelerated. Private investment expanded. Meanwhile, public investment remained high. However, export of goods continued to decline.*

*Private consumption expenditure expanded by 2.5 percent, accelerating from 1.8 percent growth in previous quarter due to the increase in consumption of non-durable goods, and slower contraction in the sales of passenger cars and motorcycles.*

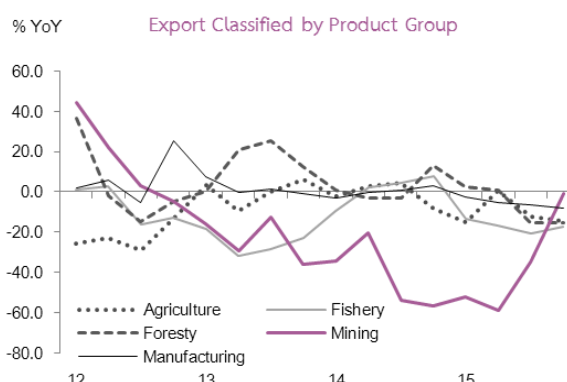
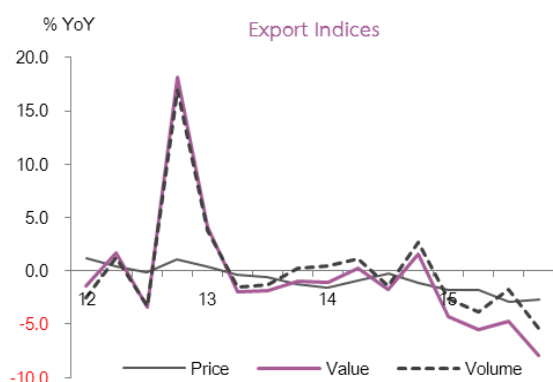
*Private investment expanded because of the increase of machinery and equipment.*



**Exports in US dollar term contracted due to the economic deceleration in key trading partners, decline in export prices. However, exports in Thai baht term grew in line with Thai baht depreciation.** Export value in the fourth quarter of 2015 was recorded at 52.3 billion US dollars, representing a 7.9 percent contraction. The export quantity declined by 5.4 percent and export price contracted by 2.7 percent. Such decline was a consequence of (i) unfavorable economic conditions of key trading partners, especially China and Japan; and (ii) the decline in export prices which fell with the price of crude oil and agricultural prices in the global market, particularly fuel (whose price declined by 11.4 percent, with 3.5 percent share of total export), chemical products (by 8.1 percent, with 2.7 percent share), rubber (by 17.7 percent, with 2.2 percent share), rice (by 11.5 percent, with 2.6 percent share), and sugar (by 26.2 percent, with 1.2 percent share). Export value, excluding unwrought gold, contracted by 8.5 percent. In baht term, the value of export, recorded at 1,872 billion baht, increased by 0.9 percent, compared with a growth of 4.6 percent in the previous quarter.

**In 2015,** export value was registered at 212.1 billion US dollars, representing a decline of 5.6 percent, compared with 0.3 percent contraction in 2014. Export quantity and price fell by 3.4 percent and 2.3 percent, respectively. In baht term, export value decreased by 0.5 percent, compared with a growth of 5.4 percent in 2014.

*Export value in US dollars fell by 7.9 percent. Export quantity declined by 5.4 percent, while export price contracted by 2.7 percent. In baht term, the value of export increased by 0.9 percent.*



**Export of agricultural commodities fell by 14.6 percent, compared with a decline of 12.2 percent in the previous quarter.** This was due to a 6.7 percent decline in the export quantity of agricultural products, especially rice and tapioca. Meanwhile, export prices of key products, such as rice, rubber, sugar and tapioca continued to decrease. As a result, export prices of agricultural products decreased by 8.4 percent. The export of major agricultural products includes **rice** whose export value fell by 17.4 percent due to a 11.5 percent and 6.7 percent decline in export price and export quantity, respectively. The export value of **tapioca** fell by 17.2 percent, contributed by a 7.9 percent decrease in export price and an 8.2 percent decline in export quantity. Meanwhile, the export value of **rubber** fell by 15.6 percent as the export price

*Export of agricultural commodities, manufacturing products, and fishery products fell. However, export of other products increased.*

of rubber fell by 17.7 percent. Meanwhile, export quantity increased by 2.6 percent due to the demand from China for its automotive industry. Meanwhile, Export value of **sugar** fell by 11.8 percent as export price fell by 26.2 percent. Meanwhile, export quantity increased by 18.0 percent from the export to Indonesia, Cambodia, Japan and Vietnam. **Manufacturing products declined by 7.9 percent, compared with a 6.2 percent contraction in the previous quarter due to the slow recovery of the global demand, as well as the decline in export prices which fell with the crude oil price.** The quantity of export declined by 5.8 percent. Meanwhile, price of export continued to decline by 2.2 percent. The export value of key manufacturing products such as chemicals, petroleum products and petro-chemical products continued to contract by 27.1, 15.2, and 32.6 percent, respectively as the export prices remain low due to the decline of crude oil price. Meanwhile, export of automotive expanded by 1.6 percent, especially the export of passenger cars grew by 81.2 percent due to the growth in export to Australia, and Middle-East. Nevertheless, export of integrated circuits & parts, and air conditioning machines grew by 2.8 and 1.0 percent, respectively. The export value of **fishery products** declined by 17.4 percent. The key products whose export value declined include crustaceans, cuttlefish, squid, octopus. **Export of other products** increased by 25.4 percent as a result of the 53.8 percent increase in the export of Non-monetary gold which is in line with the gold price in the global market.

Export Value of Major Product

%YoY	2014					2015								Shared Q4/15
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	
<b>Agriculture</b>	<b>-1.3</b>	<b>-2.0</b>	<b>2.6</b>	<b>4.4</b>	<b>-8.6</b>	<b>-10.7</b>	<b>-15.2</b>	<b>0.8</b>	<b>-12.2</b>	<b>-14.6</b>	<b>-14.3</b>	<b>-8.4</b>	<b>-19.3</b>	<b>7.5</b>
Rice	23.0	4.6	21.5	25.2	39.3	-15.2	-5.1	-7.4	-27.6	-17.4	-17.6	-7.9	-22.5	2.6
Rubber	-26.9	-15.5	-24.0	-24.8	-42.1	-16.0	-36.1	-12.6	11.1	-15.6	-7.6	-12.7	-25.2	2.2
Tapioca	13.5	26.9	14.2	15.5	-0.2	-0.7	-2.7	64.2	-29.0	-17.2	-10.7	-7.8	-28.3	1.2
<b>Manufacturing</b>	<b>0.1</b>	<b>-3.1</b>	<b>-0.5</b>	<b>0.9</b>	<b>3.0</b>	<b>-5.5</b>	<b>-2.5</b>	<b>-5.3</b>	<b>-6.2</b>	<b>-7.9</b>	<b>-8.8</b>	<b>-7.6</b>	<b>-7.1</b>	<b>88.9</b>
Sugar	-4.2	-28.3	-29.8	13.3	93.3	-2.0	1.2	-8.2	12.7	-11.8	6.2	-31.4	-7.3	1.2
Crustaceans canned, prepared, or preserved	-13.8	-25.2	-13.8	-11.8	-6.5	-13.8	-4.6	-17.5	-10.2	-20.4	-21.3	-20.3	-19.1	0.6
Rubber products	-10.0	-14.9	-13.4	0.1	-10.9	-19.1	-20.6	-9.4	-30.6	-15.0	-23.8	-10.3	-9.0	1.8
Apparels and Textile Materials	-0.3	-1.3	0.9	-0.4	-0.2	-8.2	-6.2	-8.9	-8.6	-9.1	-9.4	-8.3	-9.4	3.2
Electronics	1.8	-0.4	-1.7	2.4	6.5	-3.7	-0.1	-2.6	-5.3	-6.3	-0.2	-10.4	-8.3	15.6
— Computer parts & accessories	-2.0	-3.2	-6.0	0.0	1.0	-5.0	-4.6	-2.8	-6.7	-5.8	1.6	-10.0	-8.8	7.3
— Integrated circuits & parts	4.1	5.2	1.3	1.1	9.3	3.1	4.5	-0.1	5.2	2.8	10.4	5.4	-6.6	3.8
— Printed circuits	32.0	36.7	24.0	33.3	34.0	6.1	26.9	17.3	0.2	-11.4	-1.9	-16.9	-16.4	0.6
Electrical Appliances	4.3	7.2	2.0	0.1	8.1	-2.1	-0.6	-3.5	0.4	-4.6	-2.9	-2.0	-9.1	5.4
Metal & Steel	-10.9	-34.2	-5.5	-0.9	7.4	-4.1	4.7	-8.4	-5.9	-6.2	-13.0	-1.8	-2.7	4.4
Automotive	0.1	3.0	-1.6	-3.9	3.3	2.5	4.9	-3.7	7.1	1.6	-1.8	8.6	-1.5	15.2
— Passenger car	-1.6	-8.0	0.5	-8.6	12.4	46.5	8.0	7.1	88.0	81.2	83.4	86.3	72.8	5.7
— Pick up and trucks	-2.3	6.8	-6.9	-8.3	-0.3	-20.0	5.2	-18.4	-30.8	-37.4	-43.6	-23.6	-43.0	3.1
Machinery & Equipment	8.5	7.8	9.9	7.8	8.4	-0.2	3.8	1.7	-4.1	-1.8	-6.9	-6.3	8.2	9.1
Chemicals	-6.0	-7.3	-7.3	-2.3	-7.2	-25.6	-23.5	-21.4	-30.8	-27.1	-38.9	-15.6	-24.0	2.7
Petro-chemical Products	7.5	5.3	11.2	6.8	6.8	-11.8	-10.2	-12.7	-9.3	-15.2	-19.1	-15.8	-10.1	5.3
Petroleum products	-11.9	-15.5	-0.0	-7.2	-22.5	-28.3	-27.2	-17.8	-34.3	-32.6	-28.6	-29.2	-40.0	3.6
<b>Fishery</b>	<b>1.4</b>	<b>-9.4</b>	<b>2.3</b>	<b>4.7</b>	<b>7.8</b>	<b>-17.2</b>	<b>-13.4</b>	<b>-16.5</b>	<b>-20.8</b>	<b>-17.4</b>	<b>-31.7</b>	<b>-17.5</b>	<b>3.7</b>	<b>0.9</b>
Crustaceans	-5.3	-27.1	-6.1	-1.3	12.2	-18.8	-10.6	-18.1	-26.4	-18.1	-37.4	-15.4	10.8	0.5
<b>Other Exports</b>	<b>-12.2</b>	<b>277.9</b>	<b>13.5</b>	<b>-77.4</b>	<b>-7.1</b>	<b>22.2</b>	<b>-30.8</b>	<b>4.6</b>	<b>215.3</b>	<b>25.4</b>	<b>207.6</b>	<b>12.2</b>	<b>-39.0</b>	<b>1.7</b>
Non-monetary gold (excl. articles of goldsmiths)	-15.6	469.3	14.3	-85.4	-12.6	36.8	-31.5	6.0	411.2	53.8	451.4	34.6	-35.2	1.5
<b>Total Exports (Customs basis)</b>	<b>-0.4</b>	<b>-1.4</b>	<b>-0.0</b>	<b>-1.8</b>	<b>1.6</b>	<b>-5.8</b>	<b>-4.7</b>	<b>-5.0</b>	<b>-5.3</b>	<b>-8.1</b>	<b>-8.1</b>	<b>-7.4</b>	<b>-8.7</b>	<b>100.0</b>
<b>Exports, f.o.b. (BOP basis)</b>	<b>-0.3</b>	<b>-1.1</b>	<b>0.3</b>	<b>-1.8</b>	<b>1.5</b>	<b>-5.6</b>	<b>-4.3</b>	<b>-5.5</b>	<b>-4.7</b>	<b>-7.9</b>	<b>-8.0</b>	<b>-6.6</b>	<b>-9.1</b>	<b>98.9</b>

Source: Bank of Thailand

**Export markets: exports to key markets such as US, EU (15), China, Japan, ASEAN (5) and Australia continued to decline, while exports to CLMV continued to expand.** Exports to the US and Australia in this quarter contracted by 4.9 and 4.8 percent, respectively, compared with a growth of 0.2 and 8.4 percent in the previous quarter. Meanwhile, Exports to EU (15), Japan, and China continue to fall by 5.9, 9.6, and 6.3 percent, respectively. This was owed to the deceleration of the Chinese economies, as well as the slow recovery of the Japan and Eurozone economies. Export to ASEAN (9) fell by 9.3 percent. This was mainly due to the 19.1 percent fall in export to ASEAN (5), especially Malaysia, Singapore and Indonesia. The export to CLMV, however, grew by 7.9 percent, accelerating from 7.2 percent growth in the previous quarter. Meanwhile, export to Hong Kong and the Middle East contracted by 1.9 and 4.1 percent, respectively.

*Exports to key markets such as US, EU (15), China, Japan, ASEAN (5) and Australia continued to decline, while exports to CLMV continued to expand.*

Export Value to Key Markets

(%YOY)	2014					2015								Shared Q4/15
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	
Total Exports (Mil US\$) (Customs basis)	227,524	55,987	56,308	57,743	57,485	214,375	53,351	53,484	54,708	52,833	18,566	17,167	17,100	100.0
(%YoY)	-0.4	-1.4	-0.0	-1.8	1.6	-5.8	-4.7	-5.0	-5.3	-8.1	-8.1	-7.4	-8.7	
United States	4.1	0.6	4.9	3.4	7.2	0.7	5.6	2.6	0.2	-4.9	-1.4	-6.3	-7.2	11.4
Japan	-2.2	0.7	-6.4	-1.2	-1.9	-7.7	-9.2	-3.9	-7.8	-9.6	-13.9	-4.7	-9.8	9.2
EU (15)	4.7	4.8	10.9	2.0	1.7	-5.7	-3.9	-8.4	-4.4	-5.9	-12.3	-6.7	2.3	9.3
China	-7.9	-4.5	-4.2	-6.3	-15.3	-5.4	-14.4	1.2	-1.0	-6.3	-3.6	-6.1	-9.5	11.5
ASEAN (9)	0.2	-5.4	-0.1	1.1	5.1	-7.2	-2.5	-5.9	-10.6	-9.3	-11.4	-9.8	-6.3	26.0
- ASEAN (5)*	-3.9	-11.0	-4.1	-4.2	4.3	-15.1	-9.5	-11.8	-19.5	-19.1	-18.2	-23.5	-15.2	14.7
- CLMV*	8.9	7.0	8.8	13.6	6.7	7.7	10.5	5.5	7.2	7.9	1.0	15.4	7.4	11.3
Middle East (15)	0.2	2.6	7.2	-6.0	-2.9	-10.5	-7.9	-21.6	-8.2	-4.1	-9.6	7.8	-9.7	5.1
Australia	-10.1	-17.4	-20.3	-14.4	14.6	5.0	9.5	9.2	8.4	-4.8	-1.3	-10.1	-3.1	4.8
Hong Kong	-4.4	-1.8	1.7	-13.5	-1.8	-6.2	-11.5	-9.0	-2.0	-1.9	2.4	-6.7	-1.0	5.5
India	8.4	-5.0	20.7	7.4	12.7	-5.7	6.1	-4.8	-11.5	-11.8	-17.9	-2.9	-13.4	2.2
South Korea	-1.5	-13.3	-3.9	11.7	1.8	-9.2	0.6	-16.4	-10.7	-8.6	1.5	-1.1	-23.4	1.9
Taiwan	19.0	14.0	16.2	25.2	20.6	-12.0	4.7	-11.5	-15.3	-23.1	-23.9	-16.6	-28.0	1.6

Remarks: \* ASEAN (5) Consist of Brunei, Indonesia, Malaysia, Philippines, and Singapore

\*\* CLMV Consist of Cambodia, Laos, Burma, and Vietnam

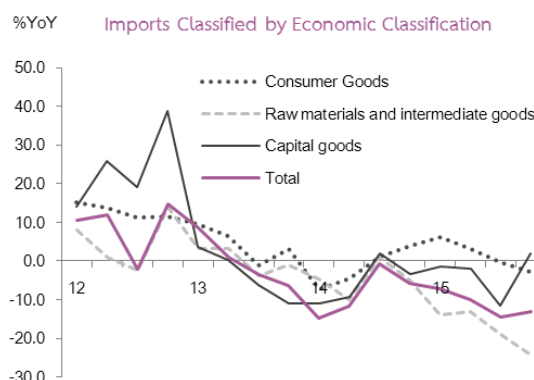
Source: Bank of Thailand

**Imports contracted as the import quantity and import price declined, especially the price of crude oil which fell considerably.** In the fourth quarter of 2015, the value of import was recorded at 42.6 billion US dollars, representing a decline of 13.2 percent, compared with a 14.5 contraction in the previous quarter. This was mainly due to the decline of import price which fell by 11.0 percent as the prices of crude oil, fuel, petroleum products, and chemical products fell. Meanwhile, import quantity fell by 2.5 percent owing to the decline in the import of raw materials and intermediate goods. With unwrought gold excluded the value of import contracted by 15.3 percent. Import value excluding unwrought gold and crude oil contracted by 10.0 percent. In Thai baht term, the value of import was recorded at 1,527 billion baht, or a contraction of 4.9 percent, compared with a 6.1 percent decline in the previous quarter.

*Import in US dollar term declined by 13.2 percent due to decline in import price and quantity, especially that of the decline in the import of raw materials and intermediate goods.*



Source: Bank of Thailand



Source: Bank of Thailand

Overall, there was a decline in import value of raw materials and intermediate goods, and consumer goods. Meanwhile, the import of capital goods and other imports expanded. **The import value of raw materials and intermediate goods** declined by 24.2 percent due to a 16.9 and 8.8 percent decline in import price and import quantity, respectively. The goods whose import value decreased include crude oil, petroleum products, chemical products, computer parts & accessories, and integrated circuits & parts. **The import value of capital goods** grew by 1.9 percent (owing to the 4.4 percent increase in import quantity, while import price fell by 2.4 percent). Goods with an increase in import value included transformers, generators, motors, and accumulators, aircrafts, medicinal and surgical equipment and supplies. **The import value of consumer goods** fell by 2.8 percent due to a 2.0 and 0.8 percent decline in import price and quantity, respectively. The import items with a decline in value included food, beverage, and dairy products, animal & fishery products, medicinal and pharmaceutical products. **The value of other imports** increased by 13.7 percent, especially the import of non-monetary gold which was recorded at 2,530 million US dollars, representing a growth of 44.8 percent.

**In 2015**, the value of import was recorded at 177.5 billion US dollars, representing a decline of 11.3 percent, compared with an 8.5 contraction in the previous year. The import quantity and price fell by 0.6 and 10.8 percent, respectively. In Thai baht term, value of import fell by 6.6, compared with 3.1 percent contraction in 2014.

*The import value of raw materials, intermediate goods, and consumer goods declined. Meanwhile, the import of capital goods and other imports expanded.*

Import Value of Major Product

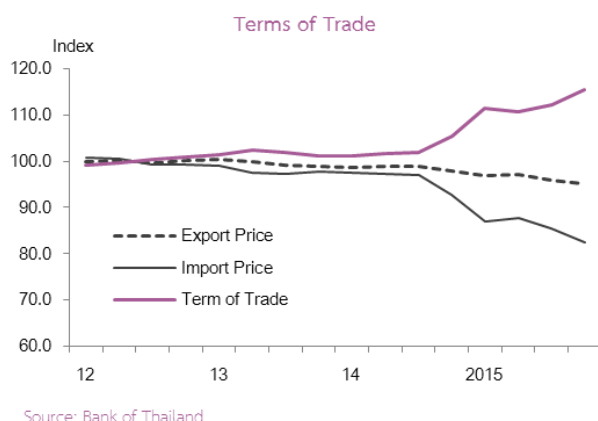
%YoY	2014					2015								Shared Q4/15
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	
<b>Consumer goods</b>	-1.7	-7.3	-4.5	1.1	4.0	1.5	6.3	3.2	-0.4	-2.8	-10.7	0.8	2.1	10.3
Food, beverage, and dairy products	-1.5	-12.4	3.9	4.5	-0.2	-2.1	4.8	-1.9	-5.4	-5.3	-11.0	-2.3	-2.3	2.6
Animal & fishery products	-10.7	-10.5	-24.5	-0.0	-4.4	-7.7	-7.4	-9.6	-12.4	-1.0	-11.2	-10.9	24.7	1.5
Medicinal and pharmaceutical products	3.1	-7.5	9.8	5.7	5.1	5.6	23.8	4.7	-2.1	-2.2	-10.9	14.5	-7.9	1.1
<b>Raw materials and intermediate goods</b>	-4.9	-4.7	-10.5	1.1	-5.0	-17.6	-14.1	-13.2	-19.1	-24.2	-30.0	-21.8	-19.4	50.0
Crude oil	-15.6	-4.3	-20.0	-5.2	-30.4	-41.2	-47.6	-29.6	-42.9	-45.1	-55.7	-44.0	-30.8	8.0
Petroleum products	27.8	42.3	25.1	35.2	4.8	-48.8	-49.5	-45.7	-57.4	-38.7	-58.6	-41.2	0.0	1.7
Materials of base metal	-5.8	-19.2	-15.5	7.6	8.6	-15.9	-1.8	-12.6	-15.7	-32.2	-33.4	-30.1	-32.8	7.0
Parts of electrical appliances	-0.7	-4.5	-7.6	-0.4	10.3	-0.4	6.7	1.2	0.1	-8.6	-4.9	-10.1	-11.1	13.2
Chemicals	-2.1	3.3	-7.6	-4.5	1.8	-12.5	-10.0	-5.7	-13.5	-21.6	-32.3	-11.2	-19.0	4.9
<b>Capital goods</b>	-5.5	-11.1	-9.2	1.9	-3.5	-3.5	-1.5	-2.1	-11.5	1.9	9.6	5.1	-9.4	28.6
Telecommunication equipment	5.9	-1.1	10.0	-1.4	14.2	-0.7	10.4	-12.5	3.5	-2.3	9.2	12.8	-29.3	4.8
Transformers, generators, motors, and accumulators	13.3	4.1	17.5	18.3	13.2	-1.0	-3.5	-12.8	-10.4	23.5	3.7	24.3	49.9	2.7
Mechanical appliances & parts	-6.1	-9.8	-2.6	-5.4	-6.6	-8.3	-8.7	-11.1	-8.3	-4.7	-7.5	3.1	-9.4	9.8
Measuring, checking, and precision instruments	-11.7	-16.5	-18.0	-6.9	-4.0	-2.3	-1.8	-3.2	-1.5	-2.5	0.7	-1.5	-6.8	1.6
Aircrafts	-31.9	-27.9	-89.5	85.4	-39.5	2.0	-2.7	452.8	-59.6	30.7	329.0	-50.5	-55.9	2.1
Ships' derricks / cranes / floating structures	-38.3	-47.4	-22.3	-29.1	-73.2	-20.4	42.9	9.3	-82.9	-27.5	30.3	-76.3	60.7	0.2
<b>Other Imports</b>	-39.8	-60.3	-39.5	-23.0	-22.3	1.1	23.2	-16.3	-14.6	13.7	-20.2	11.0	59.1	11.1
Non-monetary gold (excl. articles of goldsmiths)	-56.1	-82.5	-51.8	-22.2	-34.3	9.4	100.1	-41.7	-28.6	44.8	-50.8	16.5	406.0	5.2
Automotive	-27.5	-31.7	-32.8	-27.9	-15.1	-4.2	-6.3	-5.0	-1.0	-4.2	-7.8	3.1	-7.5	4.8
<b>Total Imports (Customs basis)</b>	0.5	-9.0	-15.4	-12.9	-1.3	-5.6	-11.0	-6.6	-9.4	-15.3	-12.6	-18.2	-9.5	-9.2
<b>Imports, f.o.b. (BOP basis)</b>	-0.1	-8.5	-14.7	-11.8	-0.8	-5.8	-11.3	-7.3	-10.2	-14.5	-13.2	-21.3	-8.5	-8.7

Source: Bank of Thailand



**Term of trade improved from previous quarter** as export price decreased by 2.7 percent while import price decreased by 11.0 percent. Thus, the term of trade improved slightly from 112.2 in previous quarter to 115.4 in the fourth quarter of 2015, compared with 105.5 in the same quarter of last year.

**In 2015**, term of trade stood at 112.4, improving from 102.6 in 2014. Export price fell by 2.3 percent and import price declined by 10.8 percent.



**Trade balance recorded a surplus.** The trade balance in the fourth quarter of 2015 recorded a surplus of 9,637 million US dollars (equivalent to 345,269 million baht), compared with a surplus of 9,616 million US dollars (equivalent to 339,969 million baht) in the previous quarter and a surplus of 7,653 million US dollars in the same period last year.

**In 2015**, trade balance stood at 34,593 million US dollars (equivalent to 1,191,623 million baht), higher than a surplus of 24,583 million US dollars (equivalent to 798,639 million baht) in 2014.

#### ❑ Production side:

**Agricultural sector contracted following a decline in the production of major agricultural products, caused by drought and unfavorable prices.** In this fourth quarter, agricultural sector dropped by 3.4 percent, compared with a 5.5 percent contraction in the previous quarter. This was in association with a 3.2 percent decrease of Agricultural Product Index, attributed by (i) a decrease in paddy production caused by drought, and in-season rice planting being delayed during 2015/2016; (ii) a decrease in rubber production, caused by drought and unfavorable prices; (iii) a decrease in oil palm production, caused by drought during mid-2015; (vi) a decrease in sugarcane production and quality, caused by dry spell; and (v) a decrease in pineapple production, caused by drought. However, other agricultural productions expanded, namely maize, livestock, and fishery. **Agricultural Price Index** decreased by 5.8 percent due to (i) a lower rubber price following a drop of crude oil price for seven consecutive quarters; (ii) a lower cassava price following its higher volume, as well as substandard quality of the products delivered in an existing market; and (iii) a lower white shrimp price following its higher production volume in market. Nevertheless, fruit price increased following a lower volume of products delivered in market which led to insufficient supply for manufacturers. The decreases of major agricultural products and prices led to lower farmers' income which dropped by 8.8 percent.

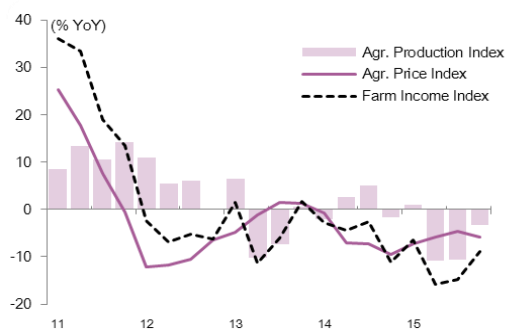
**In 2015**, agricultural sector dropped by 4.2 percent, which was in association with a drop of Agricultural Product Index, Agricultural Price Index, and farmers' income rate at 5.3, 5.9, and 10.8 percent, respectively.

*Term of trade improved from previous quarter.*

*Trade balance recorded a larger surplus, compared with previous quarter and same period last year.*

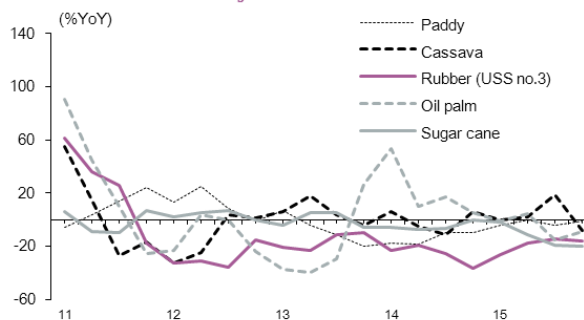
*Agricultural production continued to drop following drought and lower price of agricultural products which led to continued contraction of farmers' income.*

Farm income declined by 8.8 percent following a contraction in agricultural production and price



Source : OAE

The prices of paddy, cassava, rubber, oil palm, and sugar cane decline



Source : OAE

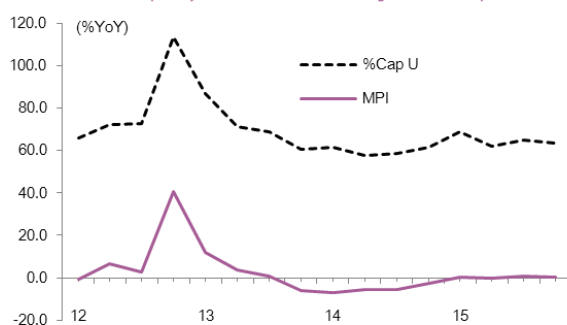
**Industrial sector expanded, owing to the growth of production in vehicles, food and beverage, as well as rubber and plastic products.** In this fourth quarter, industrial sector increased by 0.8 percent, compared with a 1.0 percent growth in the previous quarter. This was in line with a 0.2 percent increase in Manufacturing Production Index (MPI). In details, the production with the favorable growth including (i) car production increased by 5.1 percent, following continuously high orders from domestic market prior to an increase of excise tax effective in January 1<sup>st</sup> 2016; (ii) food and beverage production increased by 0.5 percent, especially canned fruit and vegetable production, as well as frozen and chilled chicken meat; and (iii) rubber and plastic production increased by 2.6 percent, especially production in rubber and rubber sheet, as well as plastic and plastic products. This was in association with an increase of rubber export volume to China owing to an increase of artificial rubber tax which enhanced higher natural rubber volume imported from Thailand. The Capacity Utilization Rate (CAPU) stood at 63.4 percent.

**Industries which value grew** included furniture (22.8 percent), electronic appliances (13.0 percent), petroleum products (6.5 percent), vehicles (5.1 percent), rubber and plastic products (2.6 percent), transportation device (2.0 percent), electronic tube and parts (1.5 percent), and food and beverages (0.5 percent).

**Industries which value declined** included clothing (-24.4 percent), office machinery (-23.8 percent), hard disk drive (-23.8 percent), textiles (-8.2 percent), tobacco (-4.6 percent), non-metal products (-3.9 percent), machinery and parts (-2.4 percent), leather products (-1.3 percent), chemical products (-0.8 percent) and radio and television parts (-0.3 percent).

**In 2015**, industrial sector increased by 0.9 percent. Manufacturing Production Index (MPI) expanded by 0.3 percent. The Capacity Utilization Rate (CAPU) stood at 64.7 percent.

Manufacturing Production Index improved by 0.2 and the capacity utilization rate averaged at 63.4 percent



Source : OIE

*Industrial sector: expanded 0.8 percent for two consecutive quarters, following production in car, food and beverage as well as rubber and plastic products.*

**Construction sector expanded following an acceleration in public sector, but private construction contracted.** In the fourth quarter of 2015, construction sector expanded by 23.9 percent, accelerating from a 9.4 percent growth in the previous quarter. In details, public construction rose by 54.5 percent, (government construction rose by 66.8 percent, and state enterprises' construction increased by 15.8 percent), accelerating from 20.3 percent growth in the third quarter. Meanwhile, the private construction declined by 1.3 percent which was in line with the contraction in permitted construction areas, as well as sales of steel and cement products which decreased by 17.5, 5.1, and 0.8 percent, respectively. Price of construction materials continued to contract by 6.6 percent for five consecutive quarters, owing to contractions in energy cost and raw material price, especially steel price which remained low owing to an over-supply in the global market.

**In 2015**, construction sector expanded 15.8 percent.

**Real estate sector continued to expand.** In the fourth quarter of 2015, real estate sector expanded by 6.6 percent, accelerating from a 3.1 percent expansion in the previous quarter. **On demand side**, housing right transfer in Bangkok and vicinities areas and personal housing credit<sup>1</sup> expanded by 8.5 and 9.7 percent, respectively. **On supply side**, real estate development credit<sup>2</sup> increased by 9.9 percent. Meanwhile, completed registered housing within Bangkok and vicinities areas, and new housing projects<sup>3</sup> dropped by 19.0 and 18.0 percent, respectively. **Regarding price**, overall prices increased, particularly for land, and condominium which increased by 15.9 and 6.5 percent, respectively.

**In 2015**, real estate sector expanded by 4.1 percent.

**Hotel and restaurants sector decelerated from the previous quarter, caused by a contraction in tourist numbers, but is expected to improve in the end of quarter.** In the fourth quarter of 2015, hotel and restaurants sector expanded by 5.0 percent, decelerating from 12.7 percent growth in the previous quarter. Number of inbound tourists stood at 7.8 million people, or a 3.7 percent growth, decelerating from a 24.9 percent growth, owing to the blast at Rachaprasong Road in 17th August 2015. However, the sector tend to improve in the end of quarter (tourist records at Suwannabhum Airport increased by 17.1 percent in January 2016). The highest number of inbound tourists were from China, Malaysia, Japan, Korea, and Lao PRD, respectively. The tourism revenue amounted to 420.6 billion baht, increased by 7.8 percent, decelerating from the growth in the previous quarter. The average occupancy rate was at 61.8 percent, decelerating from 64.3 percent in the same period last year.

**In 2015**, hotel and restaurants sector expanded by 14.0 percent. The number of inbound tourists stood at 29.9 million people, or a 20.4 percent growth. The tourism revenue amounted to 1,523.6 billion baht, increased by 22.0 percent; the average occupancy rate was at 61.7 percent.

*Construction sector expanded by 23.9 percent following an increase in public construction, while private construction declined.*

*Real estate expanded by 6.6 percent following an increase in demand side, while overall prices increased, particularly for land, and condominium.*

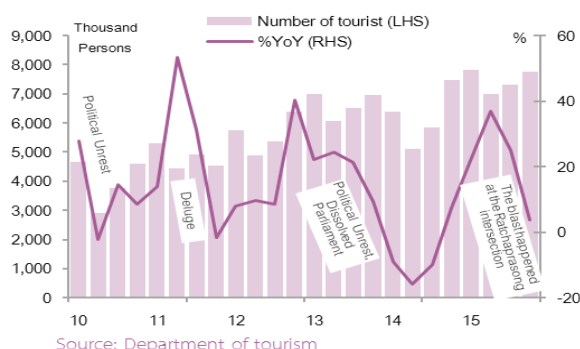
*Hotel and restaurants sector expanded by 5.0 percent, decelerating from the previous quarter, caused by a contraction of tourist numbers. However, tourism revenue increased by 7.8 percent.*

<sup>1</sup> Personal housing credit of commercial bank at the end of November, 2015.

<sup>2</sup> Real estate development credit of commercial bank at the end of November, 2015.

<sup>3</sup> New housing projects are data of Real Estate Information Center (REIC). While new housing projects, Agency for Real Estate Affairs (AREA), declined by 17.8 percent.

Number of inbound tourists stood at 7.8 million persons or grew by 3.7 percent



### Wholesale and retail trade sector accelerated, following an increase of domestic expenditure.

In the fourth quarter of 2015, the sector expanded by 5.5 percent, continually accelerating from 4.1 percent in the previous quarter. **For wholesale trade**, wholesale index improved in non-durable goods, including tobacco, pharmaceutical and medical goods, incense, and cosmetic products. This was in line with an increase of household expenditure. **For retail trade**, the retail trade index grew, including car, vehicle, trading and maintenance service, and fuel. This was in line with a normal condition of automobile production and sale. However, the indices in department store and retailing shop decreased.

In 2015, wholesale and retail trade sector expanded by 4.3 percent.

**Employment grew following an increase in non-agricultural employment, while agricultural employment contracted and unemployment remained low.** In the fourth quarter of 2015, employment rose by 0.3 percent following a 0.8 percent employment growth in non-agricultural employment, especially in real estate, administration and service, and hotel and restaurant sectors, by 20.5, 17.7, and 4.0 percent, respectively. Meanwhile, industrial employment contracted by 1.0 percent. However, agricultural employment contracted by 0.7 percent, improving from a 3.8 percent decline in the previous quarter, owing to in-season rice planting delay. The unemployment rate remained low at 308,840 people, or 0.8 percent.

In 2015, employment contracted by 0.2 percent. The unemployment rate remained low at 0.9 percent.

*Wholesale and retail trade sector expanded by 5.5 percent, accelerating from the previous quarter following an increase of domestic demand.*

*Employment rose by 0.3 percent following a 0.8 percent employment growth in non-agricultural sector. Meanwhile, agricultural employment dropped by 0.7 percent. The unemployment rate remained low at 0.8 percent.*

Employment improved by 0.3 percent following an increasing non-agricultural employment. Unemployment rate was low at 0.8 percent.





Employed Persons by Industry

%YOY	Shared Q4/15	2014					2015								
		Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	
Employed	100.0	-0.4	-0.4	-1.2	0.3	-0.1	-0.2	-0.5	-0.2	-0.2	0.3	0.4	-0.1	0.5	
- Agricultural	33.7	-2.4	1.0	-2.9	-2.2	-4.9	-3.6	-4.4	-5.8	-3.8	-0.7	-1.5	-2.3	1.2	
- Non-Agricultural	66.3	0.7	-1.0	-0.3	1.7	2.5	1.6	1.3	2.6	1.7	0.8	1.4	1.0	0.2	
Manufacturing	16.7	1.6	-0.8	1.9	1.0	4.4	0.9	1.2	3.0	0.6	-1.0	2.2	-0.2	-4.8	
Construction	5.3	-5.0	-7.2	-6.4	-3.0	-2.5	0.6	1.9	2.5	2.4	-4.9	-4.3	-2.8	-6.3	
Wholesale	15.9	-0.2	-1.5	-2.7	3.2	0.4	-0.1	-2.6	2.0	-0.2	0.3	-0.8	0.3	0.9	
Hotel and Restaurant	7.0	1.2	-2.0	-1.9	4.6	4.7	3.0	2.3	3.6	1.9	4.0	4.3	3.8	3.5	
Unemployment (Hundred thousand persons)		3.2	3.4	3.9	3.3	2.4	3.4	3.6	3.4	3.6	3.1	3.3	3.5	2.5	
Unemployment Rate (%)		0.8	0.9	1.0	0.8	0.6	0.9	0.9	0.9	0.9	0.8	0.9	0.9	0.7	

Source: NSO

## □ Fiscal Conditions

**On the revenue side**, in the first quarter of the fiscal year 2016 (October-December 2015) the net government revenue collection stood at 581,306.4 million baht, higher than the same quarter of last year by 14.6 percent. The key contribution included excise tax on diesel fuels as its tax rate was raised from 0.75 baht/liter to 4.25 baht/liter, excise tax on vehicles (attributed to the shift in consumer behavior responding to the implementation of new vehicle tax system), shifting from charging on engine size to carbon emission, and the revenues from the 4G spectrum license auction of 40,290.5 million baht.

Government Revenue

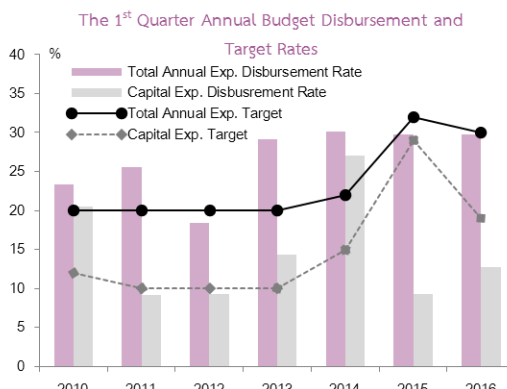
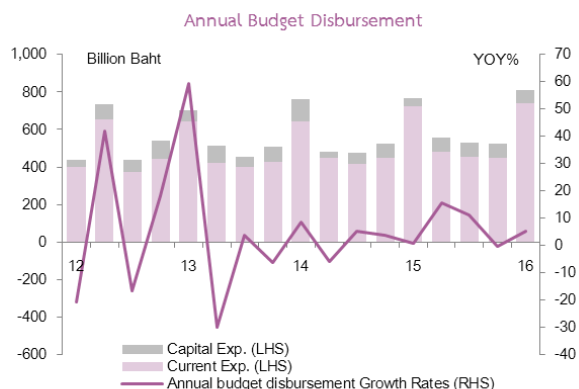
Fiscal Year (Billion Baht)	2014					2015					2016
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	
Net Government Revenue	2,075.3	503.5	437.2	608.5	526.2	2,213.8	507.5	469.9	652.5	583.9	581.3
Compared with the target (%)	-8.8	2.5	-6.1	-13.8	-14.0	-4.8	1.1	-0.7	-9.6	-7.0	12.5
YOY (%)	-4.0	-1.0	-6.9	-5.2	-2.8	6.7	0.8	7.5	7.2	11.1	14.6

Source: Ministry of Finance

**On the expenditure side**, the total budget disbursement in the first quarter of the fiscal year 2016 was at 1,038,899.2 million baht, increased by 4.3 percent from the same period of last year. Classified by its source of funds, the government disbursements are as follows: (i) the **2016 annual budget disbursement** in this quarter was at 807,674.6 million baht, increased by 5.4 percent from the same period last year, or equivalent to 29.7 percent of the 2016 annual budget. However, it was lower than the target and the same period of last year rates of 30.0 and 29.8 percent, respectively. In details, the current expenditure was disbursed at 739,517.4 million baht, rose by 2.0 percent from the same period of last year (equivalent to 33.9 percent of total budget, which was higher than the rate of the same period last year of 33.6 percent). Meanwhile, the capital expenditure was disbursed at 68,157.2 million baht, increased by 65.1 percent, compared with the same period last year (equivalent to 12.7 percent of annual capital budget, which were lower than the target of 19.0 percent, but higher than 9.9 percent in the same period last year.);

*The net tax revenue collection increased by 14.6 percent, due to an increasing in excise tax rate on diesel fuels, an increasing demand of vehicles before the implementation of new excise tax system on vehicles and the revenues from the 4G spectrum license auction.*

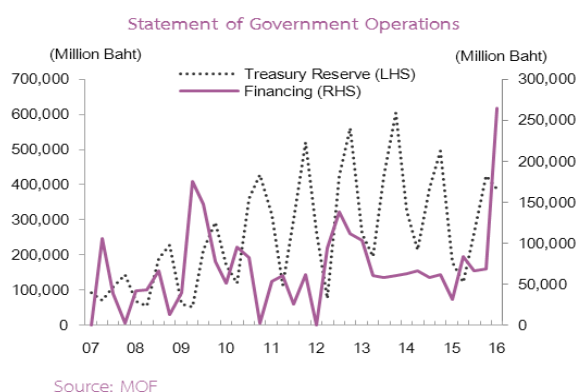
*The capital budget disbursement rates increased from the same period of last year, but still lower than intended target.*



(ii) the **carry-over budget disbursement** was at 83,405.7 million baht, increased by 7.2 percent from the same period last year (equivalent to 28.7 percent of the overall carry-over budget, which was higher than the rate of the same period last year of 22.1 percent); (iii) **state-owned enterprises' capital expenditure budget**, after deducting the disbursement of capital budget of 2,548.6 million baht which was already counted in (i), was expected to disburse in this quarter by 118,075.3 million baht, representing an increase of 7.3 percent, compared with the same period last year. The main contributors were the PTT Public Limited, Electricity Generating Authority of Thailand and Metropolitan Electricity Authority and; (iv) **The government's fiscal stimuli measures** were disbursed at 29,743.5 million baht, which includes the Economic Stimulus Package phase II: Loans for water resource management and road transport system projects of 28,451.7 million baht, Thai Khem Kaeng stimulus package phase II (TKK) of 666.3 million baht, the Development Policy Loan (DPL) of 625.5 million baht, and special budget reallocating from TKK of 662.8 million baht.

**Fiscal Balance:** in the first quarter of fiscal year 2016, the budgetary balance recorded a deficit of 311,094.5 million baht, decreased by 10.4 percent from the same period last year. However, the non-budgetary balance recorded a surplus of 6,107.5 million baht. In the meantime, the government conducted a cash balance management through borrowing total of 265,302.0 million baht. Therefore, the cash balance after debt financing recorded a net deficit of 39,685.0 million baht, which was lower than the net surplus of same period last year by 87.5 percent. Therefore, summing up with the treasury reserve recorded at the end of 2014 fiscal year at 426,181.9 million baht, the treasury reserve at the end of the first quarter of fiscal year 2016 amounted to 386,496.9 million baht, which was lower than the end of fiscal year 2014 by 9.3 percent.

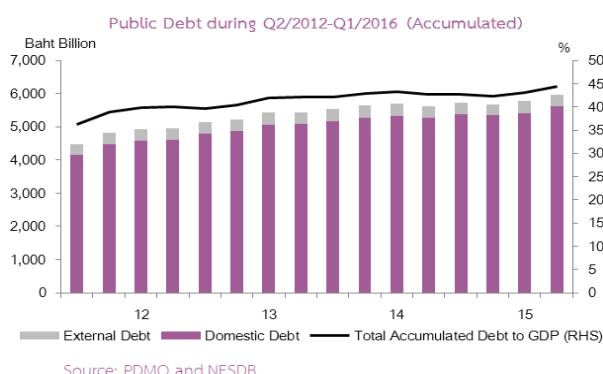
*At the end of the first quarter of fiscal year 2016, the treasury reserve stood at 386,496.9 million baht.*



**Public Debt** at the end of November 2015, was recorded at 5,975,766.3 million baht (equivalent to 44.4 percent of GDP, compared with 192,443.1 million baht in previous quarter). The public debt was comprised of domestic loans of 5,625,424.3 million baht (41.8 percent of GDP) and foreign loans of 350,342.0 million baht (2.6 percent of GDP).

*The Public Debt was at 44.4 percent of GDP and remains under the fiscal prudential framework.*

The components of public debt consisted of Direct Government debt at 4,379,011.6 million baht (73.3 percent of total public debt), State Enterprises debt (non-financial Institution) at 1,044,724.6 million baht (17.5 percent), and Special Financial Institutions debt (guaranteed by the government) at 534,472.1 million baht (8.9 percent).



## ❑ Financial Conditions:

**The policy rate remained unchanged at 1.50 percent per annum throughout the fourth quarter of 2015.** In both meetings on 4<sup>th</sup> November and 16<sup>th</sup> December 2015, the Monetary Policy Committee (MPC) held the policy rate at 1.50 percent per annum with the decisions based on the assessment that current policy rate is at an appropriate level for supporting the economic recovery amid markedly varying trends of monetary policy conducted by major economies. In particular, the Federal Reserve (FED) decided to raise its policy rate to 0.25 – 0.50 percent per annum, while the European Central Bank (ECB) continued to pursue accommodative monetary measure by extending its quantitative easing program at 60 billion euro per month until March 2017. For major regional economies, though China and Taiwan persisted to decrease their policy rates for two consecutive quarters, most regional countries maintained their policy rates unchanged after previous monetary easing. Meanwhile, the Reserve Bank of New Zealand has decided to lower its policy rate by 0.25 percent.

**Overall in 2015**, the MPC decided to lower the policy rate totaling by 0.5 percent, in the March and April 2015 meetings. As a result, the policy rate was dropped from 2.00 percent per annum at the end of 2014, to 1.50 percent per annum at the end of 2015.

**In January 2016**, the Bank of Japan (BOJ) triggered to adopt negative interest rates for the first time with the policy rate set at negative (-0.10) percent per annum; along with its on-going accommodative monetary policy measure (expanding monetary base at annual pace of about 80 trillion yen). For Thailand, the MPC decided to maintain its policy rate at 1.50 percent per annum on 3<sup>rd</sup> February 2016 meeting.

**Average deposit rates of all commercial banks declined while average lending rate remained unchanged from the previous quarter.** In the fourth quarter of 2015, the average 12-month deposit rates of four major commercial banks, medium-sized commercial banks, and retail banks were decreased to 1.40, 1.44, and 2.25 percent per annum, respectively. On the contrary, the overall lending rates remained at 6.52, 6.93, and 8.62 percent per annum, respectively. However, Specialized Financial Institutions (SFIs) kept their average 12-month deposit and lending rates stable at 1.73 and 6.78 percent per annum, respectively.

**In 2015**, the average deposit rates of Thai commercial banks and SFIs were dropped within the range of 0.31 – 0.65 percent; in accordance with the average lending rates which were lowered by the range of 0.10 – 0.24 percent.

**In January 2016**, all commercial banks and SFIs held their deposit as well as lending rates steady at the same level as in the fourth quarter in 2015.

**Real deposit and lending rates shifted downward from the previous quarter.** The real deposit rate decreased to 2.25 percent per annum in accordance with the reductions in deposit rates of commercial banks, and an improvement in headline inflation rate though remained in a negative value. At the end of the fourth quarter, the real lending rate decreased to 7.37 percent per annum following a lessened negative headline inflation rate.

**Overall in 2015**, the real deposit and lending rates rose by 1.12 and 1.22 percent, respectively, which were contributed by lowered deposit and lending rates in commercial banks, together with a lessened negative headline inflation rate.

*Policy interest rate remained unchanged at 1.50 percent per annum; amid more diversified patterns of monetary policy conducted by major economies.*

*Average deposit rate of commercial banks were declined while average lending rate kept stable from the previous quarter.*

*The real deposit and lending rate declined from the previous quarter.*

Policy Interest rate

At the end of period	2014					2015								2016
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	Jan
USA	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0.25-0.50	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0.25-0.50	0.25-0.50
EU	0.05	0.25	0.15	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-0.10
Australia	2.50	2.50	2.50	2.50	2.50	2.00	2.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00
New Zealand	3.50	2.75	3.25	3.50	3.50	2.50	3.50	3.25	2.75	2.50	2.75	2.75	2.50	2.50
Russia	17.00	7.00	7.50	8.00	17.00	11.00	14.00	11.50	11.00	11.00	11.00	11.00	11.00	11.00
China	5.60	6.00	6.00	6.00	5.60	4.35	5.35	4.85	4.60	4.35	4.35	4.35	4.35	4.35
Taiwan	1.875	1.875	1.875	1.875	1.875	1.625	1.875	1.875	1.750	1.625	1.750	1.750	1.625	1.625
Korea, South	2.00	2.50	2.50	2.25	2.00	1.50	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50
India	8.00	8.00	8.00	8.00	8.00	6.75	7.50	7.25	6.75	6.75	6.75	6.75	6.75	6.75
Indonesia	7.75	7.50	7.50	7.50	7.75	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.25
Thai	2.00	2.00	2.00	2.00	2.00	1.50	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50

Source: CEIC

**Deposits including Bill of Exchange (B/E)** of commercial Bank expanded in a diminishing trend from 5.4 percent in the previous quarter to 2.7 percent in the fourth quarter of 2015. Contributing to the decline in deposit was the maturity of special deposit products and rise in other saving products with higher return.

**In 2015**, deposits including Bill of Exchange (B/E) at the end of 2015 expanded by 2.7 percent, decelerating from 6.0 percent in 2014

**Private loans of all commercial banks** grew by 5.6 percent, in line with a 5.7 percent growth in the previous quarter. In particular, business loan accelerated from 3.6 percent growth in the previous quarter, to 3.7 percent growth in this quarter. Owing to the acceleration of business loan were well-adjusted loans in construction and real estates sectors; together with the improvement financial and insurance sectors' business loans, compared with the previous quarter. Meanwhile, household loan grew by 6.1 percent, decelerating from 6.6 percent growth in the previous quarter as a result of decelerations in all personal consumption loans; except purchase or hire purchase cars and motorcycle loans. Besides, according to the Senior Loan Officer Survey<sup>4</sup> in the fourth quarter of 2015 conducted by the Bank of Thailand, loan demands for large-scaled corporations and Small and Medium Enterprises (SMEs) increased, compared with the previous quarter. Thanks to the government measures in supporting low lending rates for the SMEs entrepreneurs. Likewise, demands for household loans increased as demand in hire purchase cars and credit card loans heightened. Nonetheless, the financial institutions continued to impose restrictions in loan approvals for businesses and households.

**In 2015**, despite the slowdown in household loans, private loans in all commercial banks by expanded 5.6 percent, accelerating from 4.2 percent in 2014 owing to the expansion in business loans.

**Loan-to-deposit of commercial banks and excess liquidity<sup>5</sup> increased from the previous quarter.** Commercial bank's credit (excluding repurchase position: RP) to deposit (including B/E) in the fourth quarter of 2015 was at 99.3 percent; slightly rose from 98.9 percent in the previous quarter. This action was driven by an increase more in commercial bank's credit than in deposit (including B/E). However, excess liquidity of commercial bank increased from 1,545.4 billion baht in the pervious quarter to 1,625.4 billion baht in this quarter as a consequence of an increase in foreign deposits and loans.

*Deposits including Bill of Exchange (B/E) of commercial banks decelerated from the previous quarter.*

*Private loans of all commercial banks slightly decelerated from the previous quarter, as a result of household loan. While business loan accelerated from the previous quarter.*

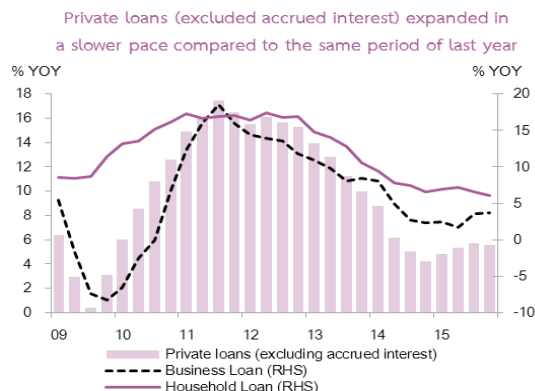
*Loan-to-deposit of commercial bank and excess liquidity increased.*

<sup>4</sup> The Bank of Thailand conducts a quarterly credit conditions survey to review opinions of senior loan officers from financial institutions as well as credit card and personal loan companies under supervision (non-banks). In 2015 Q4 survey, the Bank of Thailand received feedbacks from 25 banks and 22 non-banks, which altogether covered about 97.1 percent of total credits in the financial system.

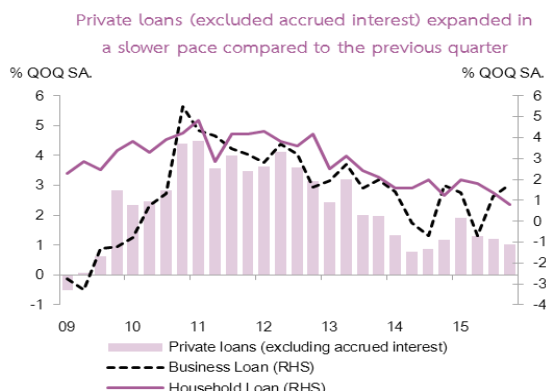
<sup>5</sup> Excess liquidity equals to 90 percent of net repurchase position + 40 percent of net foreign assets + 50 percent of investment in government and Bank of Thailand bond.



In 2015, Commercial banks' credit (excluding repurchase position: RP) to deposit (including B/E) increased from 97.6 percent to 99.3 percent while excess liquidity at the end of 2015 rose 2.5 percent from the end of 2014.



Source: BOT



Source: BOT

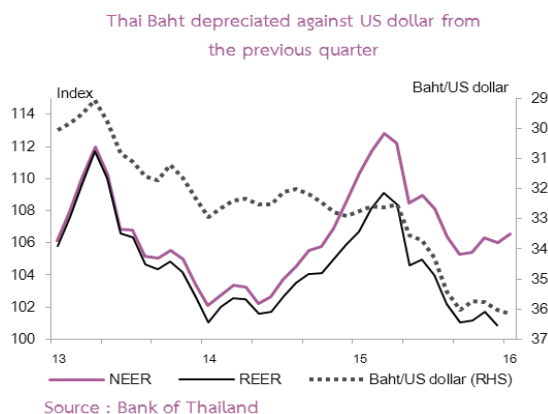
Throughout the fourth quarter of 2015, Thai Baht against US dollar continued to be in a depreciating trend from the previous quarter, as a consequence of the expected path of FED policy rate hike as well as market concerns toward Chinese economic slowdown. At the beginning of October, Thai Baht fluctuated in an appreciating trend after the US economic indicators disappointed and missed the investors' expectations, which led to the expected delay of the FED policy hike. Nevertheless, Thai baht turned to be in a depreciating trend since mid-October. Contributing to the reversing trend in Thai baht were (i) the unhindered expected path of FED policy rate hike as non-farming employment was at the highest level in one year, (ii) Chinese extensive monetary easing as a reaction to its decelerating economic growth and, (iii) capital outflow induced by both off-shore investment of Thai investors and foreign net-sell position in Thai equity market. Overall, an average Thai Baht in the fourth quarter stood at 35.84 baht per US dollar, depreciating by 1.6 percent from the previous quarter. In the fourth quarter of 2015, Thai Baht against trading partners (NEER)<sup>6</sup> was at 106.0, depreciating by 0.7 and 2.3 percent, compared with previous quarter and the same period of last year, respectively. Likewise, the Real Effective Exchange Rate (REER) depreciated from the previous quarter and the same period of last year by 0.1 and 4.8 percent, respectively.

In 2015, Thai Baht fluctuated with a range between 32.35 – 36.56 baht per US dollar and average exchange rate stood at 34.29 baht per US dollar, depreciating by 5.6 percent from an average of 2014. This was mainly due to the external factors including (i) the diverse trend in monetary policy conduct in major economies, (ii) concerns toward Chinese economic slowdown, and (iii) the Bank of Thailand's announcement of loosened restrictions regarding the international capital outflow in April 2015. Nevertheless, NEER and REER, compared with previous year, appreciating by 4.1 and 1.3 percent, respectively; reflecting that Thai Baht appreciated more than trading partners

In January 2016, Thai Baht showed a depreciating trend as a result of the devaluation of the official RMB fixing rate induced by the People's Bank of China, and market concerns regarding Chinese economic deceleration. Thoroughly, an average Thai Baht in January 2016 stood at 36.16 baht per US dollar, depreciating by 0.4 percent, compared with an average in December. During 1<sup>st</sup> – 12<sup>th</sup> of February, Thai Baht appreciated with an average of 35.56 baht per US dollar as a result of foreign capital inflow induced by monetary easing measures in China and Japan.

*Thai Baht in the fourth quarter depreciated against US dollar from the previous quarter as a result of an increased in expectation over hike of FED fund rate and the deceleration of Chinese.*

<sup>6</sup> The BOT began using the new NEER and REER in March 2014. The base year would also be changed to 2012, that the indicators could capture the true structure of trade in line with changing international trade dynamics.



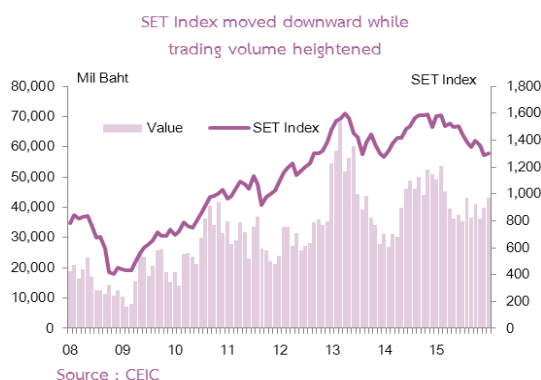
### SET Index fluctuated in a downward trend due to the drawback of foreign investment.

Throughout the fourth quarter, SET Index as well as other regional stock markets experienced a subdued trend of growth. Three key factors contributed to influence the disruptive movement of SET: (i) downward revisions to business performance in the SET, induced by concerns toward Chinese economic slowdown, which casted spillovers to other regional economies; (ii) dramatic decline in stock prices, especially in energy sector as a result of subdued oil price in global market, and information and communication technology (ICT) sector from market concerns about the overpriced 4G auction costs; and (iii) the official FED policy rate hike for the first time in nine-year period, in the 15<sup>th</sup> – 16<sup>th</sup> December 2015 FOMC meeting. Altogether, SET index at the end of the fourth quarter of 2015 closed at 1,288.0 points, stepped down by 4.5 percent from the previous quarter with a slight increase in average trading volume to 39.0 billion baht per day, compared with 38.3 billion baht per day in the previous quarter. In this quarter, foreign investors continually imposed a net sell position of 47.3 billion baht, while domestic and institutional investors posed net-buy positions of 19.7 and 21.5 billion baht, respectively.

*SET Index fluctuated in a downward trend.*

**Overall in 2015**, SET index markedly declined from 1,497.7 points in the end of 2014 to 1,288.0 points at the end of 2014, equaling to a 13.1 percent drop from 2014. Contributing to the strained outlook were the anticipation of FED policy rate hike, pronounced declining trend in Chinese economy and other regional economies, and persisted decline in global oil price. Thoroughly, an average trading volume stood at 41.1 billion baht per day, reduced by 1.1 percent from 2014, with more pronounced foreign investors' net-sell position at 154.8 billion baht, relatively to a net-sell of 36.6 billion baht in 2014.

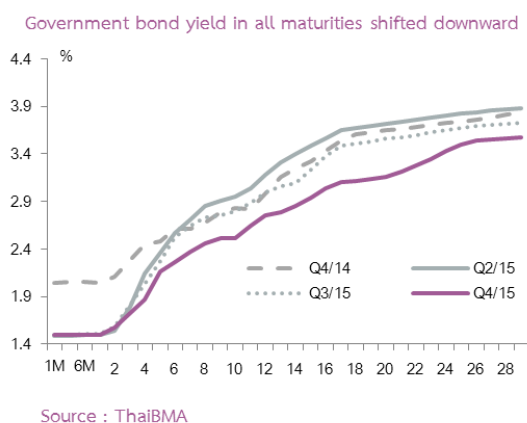
**In January 2016**, SET Index gradually picked up and closed at 1,301.0 points, equaling to a 1.0 percent expansion from December 2015, with net-buy position of institutional investors being main contributor of this recovery. In addition, foreign investors lowered the capital outflow from SET, compared with the end of 2015, though remained in a net-sell position of 8.6 billion baht. As a result of investors' perspectives toward supportive liquidity in global financial markets, as monetary easing in major economies remained intact including the European Central Bank's potential to adopt additional monetary easing, the Federal Reserve's decision to hold its policy rate unchanged, and the Bank of Japan's conduct of negative-rates monetary policy.



**The government bond yields in all maturities shifted downward owing to the international factors, reversing the trend in the US government bond market.** At the end of the fourth quarter in 2015, Thai government bond yields shifted downward in all maturities due to massive influx of foreign capital in October 2015 induced by anticipated postpone of FED policy rate hike. Nevertheless, foreign capital returned to drawback again in November and December due to (i) certain path of FED policy rate hike with its first hike in December 2015; (ii) market concerns about Chinese economy causing diminishing confidence against regional and global economic outlooks; and (iii) subdued trend of global oil prices. As a result, global investors tend to heighten the safe-haven proportion in their portfolios. Hence, at the end of the fourth quarter in 2015, foreign investors registered a net inflow of 25.0 billion baht, compared with net outflow of 29.9 billion baht in the previous quarter, with an average daily outright transaction increased to 76.8 billion baht per day, relatively to 74.6 billion baht per day in the third quarter of 2015.

**Overall in 2015**, yields on government bonds in all maturities shifted downward especially in short-term government bonds with an average 26.8 percent drop in yields from the end of 2014, as investors increase their holdings in safe-haven investment as a risk-off from volatility in equity and commodity markets. However, the potential of FED policy rate hike caused foreign investors to draw back their capital and register a net-sell position of 24.0 billion baht, compared with net-buy position of 205.9 billion baht in 2014. While, an average daily outright transaction rose by 5.0 percent, and stood at 80.9 billion baht per day.

**In January 2016**, yields on government bonds in all maturities remained in a decreasing trend as Chinese looming economic prospect worried investors, embracing with the heightened financial volatility in global markets as major economies adopt extensively accommodative monetary measures. As a result, investors continued to raise the safe-haven proportion in their portfolios. Thoroughly, foreign investors posed a significant capital inflow in Thai bond market at 40.7 billion baht, with a higher average daily transaction of 93.4 billion baht per day, compared with the end of 2015.



**Capital and financial accounts continue to record an outflow.** In the fourth quarter of 2015, capital and financial account registered a net outflow of 7.8 billion US dollar, compared with the net outflow of 7.2 billion US dollar in the previous quarter. This was mainly due to (i) net capital outflow in both stock and equity markets, regarding the expectations toward US policy rate hike and worsened global economic prospects, (ii) investment in foreign securities and depository investment of Foreign Investment Fund (FIF) (iii) off-shore Thai investment both portfolio and direct investments, especially in food industry and petroleum and natural gas exploration.

*The government bond yields in all maturities shifted downward owing to the international factors, reversing the trend in the US government bond market.*

*Capital and financial accounts continue to record an outflow from the previous quarter.*

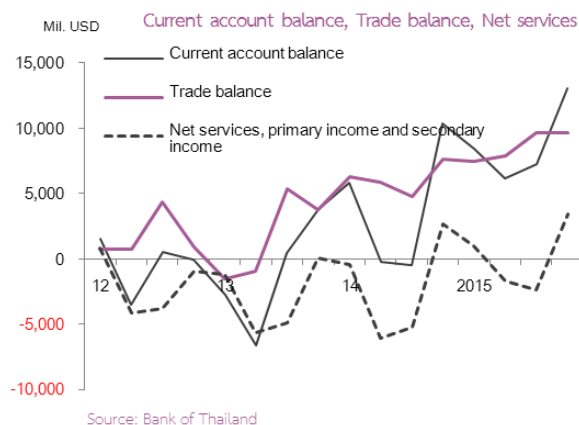
Capital Flow

(Billion USD)	2014	2015						
	Year	Year	Q1	Q2	Q3	Q3	Nov.	Dec.
Capital and financial account	-16.4	-18.8	-2.0	-1.8	-7.2	-7.8	-2.4	-3.9
Government	1.4	-1.7	-0.4	-0.5	-0.6	-0.3	-0.7	-0.2
Monetary Authorities	-3.0	-1.4	-0.4	-0.4	-0.7	0.0	0.1	-0.4
Bank	-5.3	-13.0	-3.2	0.4	-7.0	-2.4	0.7	-1.0
Others	-9.7	-2.7	1.9	-0.5	1.0	-5.1	-2.5	-2.3
Direct Investment	-0.6	-3.3	0.6	-0.6	-2.1	-1.2	-0.8	-0.1
Thai investor	-4.3	-8.6	-2.3	-1.9	-2.6	-1.8	-0.9	-0.5
Foreign investor	3.7	5.3	2.9	1.3	0.5	0.6	0.1	0.4
Portfolio Investments	-12.1	-17.8	-2.5	-6.6	-3.2	-5.5	-3.4	-2.4
Thai investor	-7.4	-7.0	-0.9	-3.7	0.9	-3.3	-2.3	-0.2
Foreign investor	-4.7	-10.8	-1.6	-2.9	-4.1	-2.2	-1.1	-2.2
Loans	-5.4	-5.2	-2.2	1.0	-2.0	-1.9	-2.0	0.4
Other	1.6	7.4	2.0	4.4	0.1	0.9	2.4	-1.8

Source: Bank of Thailand

**Current account registered a surplus** in the fourth quarter of 2015, with a surplus of 13,055 million US dollars (467,899 million baht), compared with a surplus of 7,225 million US dollars (254,251 million baht) in the previous quarter and a surplus of 10,334 million US dollars in the fourth quarter of 2014. This was a result of a trade surplus of 9,637 billion US dollars and a surplus in services, primary and secondary income of 3,418 billion US dollars.

**In 2015**, current account registered a surplus of 34,839 million US dollars (1,201,391 million baht), compared with a surplus of 15,418 million US dollars (504,257 million baht) in 2014.

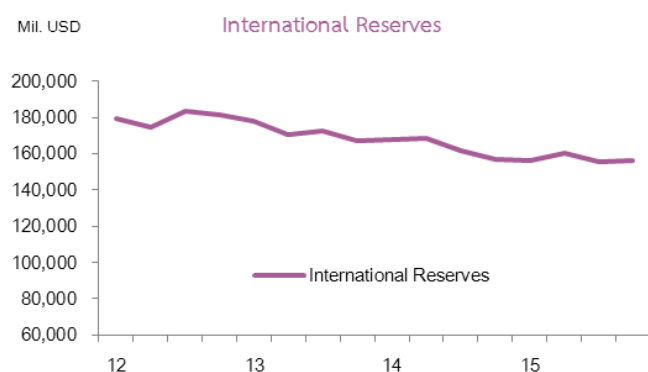


**International reserve** at the end of December 2015 stood at 156.5 billion US dollars (excluding net forward position of 11.7 billion US dollars), which was equal to 2.9 times of short-term foreign debt (at the end of the third quarter of 2015) or 11.0 months of import value (the average of import value in the fourth quarter of 2015).

*Current account registered a larger surplus, compared with previous quarter and same period last year.*

*International reserve at the end of December 2015 stood at 156.5 billion US dollars.*

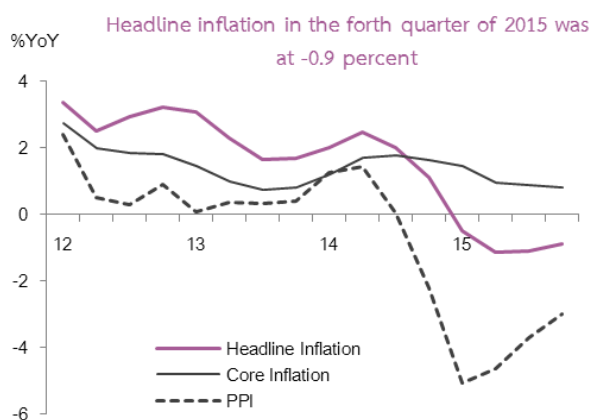




Source: Bank of Thailand

**Headline Inflation:** In the fourth quarter of 2015 was (-0.9) percent, compared with (-1.1) percent in the previous quarter due to a decline of energy price. **Food-and-Beverage price index** increased by 1.2 percent due to an increase in price of vegetables and fruits, fish and aquatic animal. Meanwhile, **non-Food-and-Beverage price index** declined by 2.0 percent due to a decline in energy price, which was results of (i) the decline in domestic retail fuel prices, which in the line with global crude oil price drop, and (ii) the cut of Energy Adjustment Cost (Ft) during September to December 2015 by 0.03 baht per unit as natural gas price fell. Thus, the energy price index fell by 14.6 percent, compared with 16.4 percent decline in the previous quarter. The Core Inflation stood at 0.8 percent, compared with 0.9 percent in the previous quarter.<sup>7</sup>

**In 2015,** Headline Inflation stood at -0.9 percent, compared with 1.9 percent in 2014. The Core Inflation was at 1.1 percent, slowing down from 1.6 percent in 2014.<sup>8</sup>



**Producer Price Index (PPI)** in the fourth quarter of 2015 declined by 3.0 percent, compared with 3.7 percent decline in the previous quarter, due to the fall in price of agriculture product and manufactured products. **The price of agriculture product** declined by 2.2 percent, due to the decreased on products of agriculture, and live-stocks. **The price of manufactured products** declined by 3.6 percent, especially the decrease on petroleum price, rubber product and plastic. However, the price of mining product increased by 6.7 percent, as increased on price of lignite, petroleum product and natural gas.

**In 2015,** Producer Price Index (PPI) decreased by 4.1 percent, compared with 0.1 percent increase in 2014.

*Headline inflation in the fourth quarter of 2015 was at -0.9 percent.*

*Food-and-Beverage price index increased, but non-Food-and-Beverage price index decline due to a decline in energy price.*

*Producer Price Index (PPI) in the fourth quarter of 2015 declined by 3.0 percent due to the decline in price of agriculture product and manufactured products.*

<sup>7</sup> January, 2016 Headline Inflation was -0.5 percent. Core inflation was 0.6 percent.

<sup>8</sup> January, 2016 Producer Price Index declined by 2.3 percent.

## 2. Crude Oil price in Q4 of 2015

**The crude oil price in the global market declined for the sixth quarters.** In the fourth quarter of 2015, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 42.02 USD per barrel or a decline of 43.9 percent, compared with the same period last year, which was at 74.86 USD per barrel. This was a decline in all markets. However, crude oil price in the fourth quarter of 2015 decreased by 14.9 percent (QoQ), compared with the previous quarter.

Key reasons of decline in global crude oil price included (i) **an increase in OPEC production** to 38.67 million barrels per day (higher than 36.66 million barrel per day in the same period last year) which caused the global oil production in the fourth quarter to be at 95.95 million barrels per day (higher than 95.03 million barrels per day in the same period last year); (2) **an increase in OECD (US, Canada, and others) inventory** to 3,061 million barrels (higher than 2,698 million barrels in the same period last year); and (3) **world economic slowdown**, causing the global demand to increase slowly.

**In 2015**, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 51.12 USD per barrel, or a decrease of 47.0 percent, lower than 96.38 USD per barrel in 2014.

*The crude oil price in the global market declined due to an increase in OPEC production and OECD inventory and the global economic slowdown.*

Crude oil price

Year		USD per Barrel					(%YOY)				
		OMAN	DUBAI	BRENT	WTI	Average	OMAN	DUBAI	BRENT	WTI	Average
2013	Year	105.59	105.53	109.08	97.90	104.52	-3.5	-3.3	-2.4	3.9	-1.5
2014	Q1	104.39	104.26	107.90	98.47	103.76	-3.5	-3.6	-4.7	4.3	-2.1
	Q2	106.22	106.10	109.74	103.04	106.27	5.4	5.4	6.0	9.3	6.5
	Q3	101.59	101.28	103.38	96.28	100.63	-4.3	-4.5	-5.7	-8.9	-5.9
	Q4	75.14	74.30	77.02	73.00	74.86	-29.7	-30.4	-29.6	-25.2	-28.8
	Year	96.82	96.48	99.49	92.71	96.38	-8.2	-8.5	-8.6	-5.6	-7.7
2015	Q1	52.82	52.03	54.99	48.64	52.59	-49.4	-50.1	-49.0	-50.6	-49.3
	Q2	61.30	61.12	63.54	57.97	60.98	-42.3	-42.4	-42.1	-43.7	-42.6
	Q3	49.87	49.71	51.28	46.61	49.37	-50.9	-50.9	-50.4	-51.6	-50.9
	Q4	40.71	40.61	44.62	42.14	42.02	-45.8	-45.3	-42.1	-42.3	-43.9
	Year	51.17	50.87	53.61	48.84	51.12	-47.1	-47.3	-46.1	-47.3	-47.0
	Oct.	45.98	45.77	49.35	46.33	46.86	-47.0	-47.2	-44.1	-45.2	-45.9
	Nov.	41.95	41.65	45.93	42.90	43.11	-46.0	-45.3	-42.3	-43.1	-44.2
	Dec.	34.18	34.41	38.59	37.17	36.09	-43.9	-42.7	-38.9	-37.0	-40.6
2016	Jan.	27.44	26.67	31.91	31.73	29.44	-40.9	-41.6	-35.9	-33.0	-37.8
	1-12 Feb.	29.84	29.05	32.74	29.74	30.34					

Source: Thailoil PLC

WTI Price Projection

Institution	USD /barrel	
	Previous	Latest
Deutsche Bank AG	40.00 (Dec., 2015)	33.00 (Jan, 2016)
EIA	50.89 (Dec., 2015)	38.54 (Jan, 2016)
Barclays	59.00 (Oct., 2015)	37.00 (Jan, 2016)
JP Morgan	48.88 (Dec., 2015)	31.50 (Jan, 2016)

Source: Collected by NESDB

### 3. The World Economy in Q4 of 2015

In the fourth quarter of 2015, the US and Chinese economic growths softened from the previous quarter. The Japanese economy also had a clear sign of slowdown as seen by several key indicators. The Eurozone economy was underway of a gradual recovery. However, many Asian economies started to show higher growths, supported by improving domestic demand and higher contributions from net exports as import contraction rate outpaced that of exports. Meanwhile, inflation rate remained subdued. A different directions of economic cycles have led to greater diverges on monetary policy stances of major countries. This has clearly seen by the fact that the US Fed hiked interest rates for first time in nine years, while on the contrary other major economies continued easing their monetary policies. For the whole year 2015, the world economy expanded by 3.0 percent, slower than 3.2 percent in 2014 and reached a 7-year low growth.

- ❑ **US economy showed a slowdown** in the fourth quarter with a growth rate of 1.8 percent, slowing down from 2.1 percent in the third quarter and reached its lowest level in seven quarters. A deceleration in economic growth was mainly due to a decline in a change in inventories, a fall in exports, as well as a slowdown in private consumption and total investment. However, labor market improved continually which brought about a decline in unemployment rate to 7.5-year low. The improving labor market was one of the key factors that prompted FOMC decided to raise policy rates for the first time in nine years to the range of 0.25-0.50 percent during policy meeting on 16-17<sup>th</sup> December 2015 since the FOMC assured that the US economic growth would remain sound and inflation would meet monetary policy target in the coming period. For the whole year 2015, US economy grew by 2.4, a similar rate as in 2014.
- ❑ **Eurozone economy improved gradually.** In the fourth quarter, the Eurozone economy grew by 1.5 percent, continuing to expand from 1.6 percent in the third quarter. The expansion was primarily supported by a gradual improvement in employment, accommodative monetary policy which led to stronger domestic demand, both private consumption and private investment, as well as the manufacturing sector. However, inflation rate remained low at 0.1 percent. Meanwhile, a further decline in oil prices has caused the inflation rate to reach its target more slowly than previous projection and put higher risk on deflationary pressure. Hence, ECB decided to further ease monetary policy in the meeting on 3 December 2015 by cutting deposit rate from -0.2 percent to -0.3 percent and extended its monthly net asset purchases of 60 billion euro from September 2017 to at least the end of March 2018. For the whole year 2015, the Eurozone economy expanded by 1.5 percent, spurring from 0.9 percent in 2014
- ❑ **Japanese economy:** Key indicators in fourth quarter showed sign of economic slowdown including export index and domestic retail trade. Due to the economic slowdown trend and subdued inflation at 0.3 percent, BOJ additionally eased monetary policy for two consecutive times. On 18<sup>th</sup> December, 2015 BOJ extended maturity of the Bank's JGB purchases from 7-10 years to 7-12 years, expanded purchasing of ETFs and increased share of buying J-REITs as well as applied negative interest rate of minus 0.1 percent to stimulate commercial bank credit extension on 29<sup>th</sup> January, 2016. Japanese economy is expected to grow by 0.6 percent in 2015, a gradual recovery from 0.0 percent in 2014
- ❑ **Chinese economy expanded at lowest growth rate in almost 7 years.** The economic growth in the fourth quarter was at 6.8 percent, slightly slowing down from 6.9 percent growth in the third quarter and was the lowest growth since the first quarter of 2009. The slowdown was due mainly to the deceleration of fixed asset investment especially in manufacturing and real-estate sectors. However, the domestic consumption continued to expand. As a result of the recent slowdown trends, the People's Bank of China decided to further ease its monetary policy by

*US economy slowed down due to a decline in a change in inventories and falling net exports, as well as a deceleration in private consumption and private investment.*

*Eurozone economy continued to expand, supported by accommodative monetary policy. Meanwhile, unemployment rate declined gradually but inflation rate increased at a slower rate than expected.*

*Chinese economy expanded at lowest growth rate in almost 7 years, as a result of deceleration in fixed asset investment and manufacturing as well as export contraction.*

cutting its policy rate for the fifth time in 2015 to be at 0.25 percent, coupled with lowering its required reserve ratio (RRR) to 17.5 percent and a further liquidity injection into the economy. For the whole year of 2015, the Chinese economy expanded by 6.9 percent, slowest pace in 25 years, decelerating from 7.3 percent in 2014.

- ❑ **Indian economy slowed down from the previous quarter.** The Indian economy grew by 7.3 percent, decelerating from 7.7 percent in previous quarter, mainly due to a slowdown in total investment. However, private consumption and government consumption accelerated from previous quarter. Inflation rate was at 5.3 percent. Indian economy grew by 7.5 percent in 2015, the highest growth in five years, and also higher than 7.3 percent in 2014
- ❑ **Other major Asian economies** such as NIEs economies recovered in many countries particular in South Korea and Singapore, supported by an expansion in domestic demand and a higher contribution from positive net exports. However, the Taiwanese economy experienced a contraction of 0.3 percent as production sectors and domestic investment decreased. Inflation rate picked up in most countries resulting from the higher food prices. Most ASEAN economies experienced higher growth supported by a continual expansion of domestic demand which could offset the export contractions. Meanwhile, inflation rate in ASEAN countries remained contracted owing to a decline in energy prices in almost all countries.

Economic Inflation and Export growth in ASIA

	Export (%YoY)				GDP (%YoY)				Inflation (%YoY)			
	2014	2015			2014	2015			2014	2015		
	Year	Year	Q3	Q4	Year	Year	Q3	Q4	Year	Year	Q3	Q4
USA	2.5	-7.3	-7.9	-10.4	2.4	2.4	2.1	1.8	1.6	0.1	0.1	0.5
EU	2.1	na	-12.4	na	0.9	1.5	1.6	1.5	0.4	0.0	0.2	0.4
Japan	-3.4	-9.5	-11.6	-10.0	0.0	0.6*	1.6	na	2.7	0.8	0.1	0.3
China	6.0	-2.9	-6.3	-5.1	7.3	6.9	6.9	6.8	2.0	1.4	1.7	1.5
Hong Kong	3.2	-1.8	-4.1	-2.7	2.5	2.5*	2.3	na	4.4	3.0	2.3	2.4
India	2.4	-17.3	-17.7	-19.9	7.3	7.5	7.7	7.3	6.7	4.9	3.9	5.3
Indonesia	-3.6	-14.6	-16.2	-18.8	5.0	4.8	4.7	5.0	6.4	6.4	7.1	4.8
South Korea	2.3	-8.0	-9.5	-11.9	3.3	2.6	2.7	3.0	1.3	0.7	0.7	1.1
Malaysia	2.4	-14.6	-17.0	-15.1	6.0	4.9*	4.7	na	3.1	2.1	3.0	2.6
Philippines	9.5	-5.6	-8.1	-5.0	6.1	5.8	6.1	6.3	4.2	1.4	0.6	1.0
Singapore	-0.4	-14.5	-17.2	-13.3	3.0	2.1	1.8	2.0	1.0	-0.5	-0.6	-0.7
Taiwan	2.7	-10.6	-13.9	-13.9	3.9	0.9	-0.6	-0.3	1.2	-0.3	-0.3	0.3
Thailand	-0.3	-5.6	-4.7	-7.9	0.8	2.8	2.9	2.8	1.9	-0.9	-1.1	-0.9
Vietnam	13.7	7.9	9.4	4.4	6.0	6.7	6.9	7.0	4.1	0.6	0.5	0.3

Remark: \* forecast

Source: Collected by NESDB

#### 4. The World Economic Outlook for 2016

The economic recovery of advanced economies have remained on a modest pace while the slowdowns of developing countries and emerging economies have become more pronounced which will cause the global economic growth to remain subdued. Thoroughly, there remained high risk of financial and economic volatility following the economic adjustment of the Chinese economy and the potential risks for countries with weak economic fundamentals. As a result of the slower pace of the global recovery as well as the economic and global financial market volatility, it is expected that Fed will raise policy rates slower than anticipated. On the contrary, several other economies continue to ease monetary policy and tend to introduce additional monetary easing over the remainder of 2016. Regarding the diverse trends of the economic recovery cycle and in monetary policy directions, the US dollars tend to be in an appreciating trend in relative to other currencies. Meanwhile, the pickup in oil and commodity prices tend to be slower than expected, as a result of the slow global recovery, the depreciation in major currencies, and increase in production capacity.

For the economic trend, it is expected that the global economy will expand by 3.3 percent in 2016, gradually accelerated from 3.0 percent in 2015. **For the US economy**, it is expected to expand by 2.6 percent, supported by resilient in domestic demands as a result of strengthening labor markets and households balance sheet. However, the US economic expansion is still restrained by (i) tightening liquidity in the economic system, (ii) the sluggish global economic recovery, (iii) the US dollar appreciation, and (iv) lower global oil prices, which affect not only business profits and overall economy, but also the longer persistence of lower-than-target inflation rate. **For the Eurozone economies**, it is projected to grow by 1.7 percent in 2016, improving from 1.5 percent in 2015, contributed mainly by (i) expansionary monetary policy, (ii) progress on economic reform which helps alleviate countries that underwent severe economic crisis, (iii) reduced fiscal policy restraints, together with higher fiscal expenses for assisting refugees. Nevertheless, the lower oil prices still amid modest recovery pace will continue to pose a deflationary pressure in the Euro area. **For the Japanese economy**, the growth tends to pick up sluggishly with expected growth of 1.0 percent, compared with 0.6 percent in 2015. This is because domestic demand remains fragile and export is liable to be affected by the economic slowdown of trading partners. **The Chinese economy** is likely to grow by 6.5 percent, decelerating from 6.9 percent in 2015, due to sluggish domestic demand which is still affected from continued fall in securities prices, and also a deceleration in fixed asset investment and industrial production. The liquidity also tends to be tightened as a result of capital outflow and decline in foreign reserve. Moreover, market concerns toward the Chinese economic slowdown, as well as the drop in securities prices amid the relaxation of capital control measures, still poses a pressure on capital outflow and devaluation of Chinese Yuan, which altogether tend to affect overall domestic liquidity. **For the Indian economy**, it is projected to grow by 7.6 percent, slightly up from 7.5 percent in 2015. This is owing to the expansions in household expenditure and capital expenditure on infrastructure development. Meanwhile, **other major Asian economies** are anticipated to show gradual economic recoveries.

As a result of the economic slowdown in the fourth quarter, low inflation which tends to be further affected from strengthening US dollar, a drop in oil prices, and downside risks from economic and global financial market volatility, it is thus expected that Fed will cautiously raise policy rates. Under the baseline case, it is expected that Fed will hike rates twice this year, in June and December, respectively, which is slower than previous expectation. Meanwhile, after ECB announced to extend its length of monetary base measure by six months in December, it is likely that ECB will ease monetary policy further to abate deflationary pressure and the risk from world economic slowdown. While, BOJ announced its additional policy



easing on 29<sup>th</sup> January 2016 by introducing a negative interest rate for excess reserves that financial institutions hold with BOJ to -0.1 percent in order to boost economy and push inflation to reach BOJ's target within the first half of 2017 (extended by six months from previous expectation). Moreover, it is possible that BOJ may further ease its monetary policy over the rest of the year. In the meantime, due to capital outflows, PBC has limitation to use interest rates as policy instrument to further monetary policy easing and tends to adopt other financial instruments to reduce liquidity tightening.

A divergence of economic cycle and monetary policy stances among major economies tends to contribute to a further appreciation of US dollar, though at a slower pace than previous projection as a result of more cautious on raising Fed fund rate. While, Euro is likely to depreciate following the extension in monetary easing measures in December 2015 as well as additional monetary policy easing over the rest of the year. Similarly, Yen will depreciate further according to further monetary policy easing announced in January and imminently additional monetary easing for rest of this year, despite supporting by some capital inflows. Yuan also remains likely to depreciate following the capital outflows due to economic slowdown, tumbling equity prices, reduced restrictions on capital mobility, and speculation in the offshore market. Also, major currencies of oil-exporting and primary commodity-exporting countries in the Middle East are likely to depreciate in line with falling oil prices and key commodity prices as well as the pressure from financial and fiscal vulnerabilities in countries with weak economic fundamentals.

A delay in global recovering pace, particularly the Chinese economic slowdown as well as the depreciation of major currencies amidst the strengthening of the dollar is liable to trigger slower recovery of primary commodity prices, especially oil prices that would face more downward pressures on the account of a delay in decreasing adjustment from North America's oil supply and an increase in Iraqi's oil production. This would lead the average oil price in 2016 to be below than an average level in 2015, albeit with gradually improving world economy.

## 5. Thai Economic Outlook for 2016

The Thai economy in 2016 tends to improve from 2015, fuelled mainly by a speed-up in public demand as a result of rising budget deficit, additional government stimulus packages, and progress of key infrastructure investment projects which is underway for tendering and construction process. At the same time, the Baht depreciation, low oil prices, and the expansion of tourism sector continued to be key supporting factors to the economy.

Nevertheless, the economic growth in the remainder of the year still challenge with some limitations and risk factors including a slow pace of global recovery and low commodity prices which will continue to curb down the export growth. These factors will also constrain purchasing power of agricultural households which possibly continue to be affected from the severe drought. In addition, economic and financial conditions in China as well as other countries with weak economic fundamentals also remain key risk factors for the global economy to grow lower than expected. The Chinese Yuan and other major currencies show clearer signs of further depreciation.

Economic stability continues to remain favorable. Inflation is likely to show a mild positive rate in line with the gradual recovery of world oil prices which tend to show a positive growth in the last quarter, the Baht depreciation, and a continual pickup in domestic demand. Trade and current accounts continue to record a continual surplus form the previous year.

### □ Supporting factors for the economic growth

- 1) **Government expenditure and public investment continue to further support the economy.** Key positive factors include (i) **Annual government budget for FY 2016** which is expected to be disbursed 2,541 billion baht, accounted for 93.4 percent disbursement rate (Current budget of 98.0 percent and capital budget of 75.0 percent). (ii) **SOEs investment budget for FY 2016** which is expected to be disbursed about 444,000 million baht, accounted for 75.0 percent disbursement rate of total budget of 592,435 million baht. This is higher than the disbursement of 337,000 million baht in FY 2015. Key supporting factors include the progress on 20 key infrastructure projects according to the 2016's action plan of transportation in the urgent phase which is expected to be disbursed in 2016 about 66,834 million baht. (iii) **Carry-over budget** which is expected to be disbursement 290,000 million baht, accounted for 70.0 percent disbursement rate. (v) **Off-budget expenditure** which is expected to be disbursed 66,300 million baht, higher than 44,200 million baht in FY 2015. About 80 percent will be from the loans for water resource management and road transport system projects under the economic stimulus package phase II. (v) **Supplement budget for 2016** of 56,000 million baht which is expected to be disbursed 52,000 million baht, accounted for 93.0 percent.
- 2) **Economic stimulus package phase II** which was announced by the government since September 2015-January 2016 consisting of 7 key measures<sup>9</sup> under the amount of 468,854 million baht (credit measure of 335,000 million baht and government budget of 127,854 million baht). There was the disbursement of 265,516 million baht in 2015 (credit measure of 239,661 million baht and government budget of 25,840 million baht). It is also expected that in 2016 there will be additional 179,627 million baht disbursement (credit measure of 71,557 million baht and government budget of 102,085 million baht).

<sup>9</sup> Key economic stimulus measures include (i) Assistance measures for low-income earners and for small-scale public investment, (ii) Fiscal and monetary measures for supporting SMEs in the urgent phase, (iii) Fiscal and monetary measures for boosting the real estate sector, (iv) Tax-incentive for supporting domestic investment, (v) Measure to expedite investment by BOI, (vi) Assistance measures for rubber farmers, and (vii) Project for strengthening the grass root economy following the state of people in order to enhance local investment through the Village Fund with total budget of 35,000 million baht.

### The Progress of Economic Stimulus Measures during September 2015–January 2016.

In the fourth quarter of 2015, the global economic slowdown attributed to a rapid slowdown of the Chinese economy become key constraints for the economic growth which in line with more contraction of exports in many countries. However, the acceleration of domestic demand growth including public investment, private and public spending as well as private investment could help offset the drag from export sector and also maintain the economic growth in the last quarter and the whole year of 2015 at the sufficient level for providing further momentum for continual growth. The improving domestic demand were contributed by lower crude oil price, ongoing easing monetary policies, accelerating government disbursement, and additional economic stimulus measures during September 2015-January 2016. There were 7 key stimulus measures, with total value of 468,854 million baht (excluded tax measures). In the last quarter of 2015, the disbursements, under these measures, were approximately 198,081 million baht, consisting of credit allowance and government spending of 172,226 and 25,840 million baht, respectively. It is expected that in 2016 the disbursement will be 179,627 million baht.

Measures	Budget Framework approved by the Cabinet	Actual Disbursement in Q4/2015	Expected Disbursement in 2016	Status
<b>Economic Stimulus Measure: 7 measures</b>	<b>468,854</b>	<b>198,081</b>	<b>179,627</b>	
1. Assistance Measure for Low Income Earners and Nationwide Small Public Investment Measure	139,730	49,655	66,319	
(1) Living Standard of Low Income Earners Promotion Measure	60,000	23,886	12,358	Total credits approved on 18 January 2016 were recorded at 47,642 million baht (equivalent to 79.4 percent of total allocated budget in which 48,283 villages were granted the credits.
(2) Living Standard Promotion Measure at District Level	39,730	2,138	37,591	At the end of 2015, 112,729 projects were approved in which the budget of 33,690 million baht was allocated (equivalent to 84.8 percent of total allocated budget).
(3) Nationwide Small Public Investment Promotion Measure	40,000	23,630	16,370	At the end of 2015, the budget of 39,784.3 million baht was allocated (equivalent to 99.5 percent of total allocated budget), in which it has disbursed of 23,630.4 million baht (equivalent to 59.1 percent of total allocated budget).
2. Monetary and Fiscal Measures for SMEs Promotion	256,000	136,371	52,168	
(1) Low Interest Rate Credit Allowance for SMEs Promotion Project	150,000	94,451	11,870	Total credits approved at the end of 2015 were recorded at 138,130 million baht (equivalent to 92.1 percent of total allocated budget).
(2) PGS 5 Credit Guarantee Project (new)	100,000	41,905	34,313	At the end of 2015, the credits of 47,221 million baht for 10,645 SMEs were guaranteed.
(3) SMEs Promotion through Joint Venture Funds Measure	6,000	15	5,985	Under process of trust fund establishment.
(4) Corporate Tax Reduction for SMEs Measure	-	-	-	Under legislative process.
(5) Tax Incentive Measure to Promote New Start-ups	-	-	-	Under legislative process.
3. Monetary and Fiscal Measures for a Real Estate Sector Promotion	25,000	11,984	13,016	
(1) Government Housing Bank's Housing Credit Allowance for Low and Medium Income Earners Measure	25,000	11,984	13,016	At the end of 2015, there 14,673 individuals participating in the program; the overall loan proposal was amounted to 21,225 million baht. The credits of 14,073 million baht were approved for proposals of 9,994 individuals.
(2) Housing Transference and Legal Transaction Fees Reduction Measure	-	-	-	Ministry of Interior's Ministerial Notice, re: the Reduction of Housing Transference and Legal Transaction Fees, has currently been effective.
(3) Personal Income Tax Incentive for Purchasing Properties under 3 Million Baht Measure	-	-	-	Under legislative process.
4. Tax Incentive for Domestic Investment Promotion Measure	-	-	-	Under legislative process.
5. Board of Investment (BOI)'s Speeding Up Investment Measure.	-	-	-	The BOI has promoted this measure to investors and expected that there would be 500 projects claiming for the investment privileges, which the overall investment values would be approximately 200,000 million baht.
6. Assistance Measure for Rubber Farmers	13,124	71	13,124	Starting providing financial assistances to rubber farm owners and rubber farmers.
7. Strengthening Glass Root Economy Measure following People's State Approach	35,000	-	35,000	Work in Progress

- 3) **The Thai Baht depreciation** which will continue to enhance income and liquidity for Thai exporters. In the first half of 2015, export receipts have endured severe impacts from the global slowdown and falling export prices, which cause the export value in US dollar term to decline by 4.9 percent. Nevertheless, the gradual Baht depreciation since April has led the export value in Baht term to slightly decline by 3.8 percent, slower rate, compared with a contraction of export value in US dollar term. In the second half of 2015, a continual depreciation of Thai Baht has made export value in Baht term expanded by 2.8 percent and has further supported export income and liquidity in Baht term, although export value in US dollar remained on a contraction of 6.3 percent. In 2016, it is expected that Thai Baht will continue to depreciate further from 2015, following the US Fed fund rates hike and the depreciation of major currencies in the region which will help enhance export value in Baht term and support income and liquidity of exporters.
- 4) **Lower level of crude oil prices, compared with 2015.** It is expected that the Dubai oil price in 2016 will be in the range of 32.0 – 37.0 USD per barrel, lowest level in 13 years since 2003 which will increase real purchasing power, reduce business cost, and help facilitate the implementation of easing monetary policy in order to further support the economic recovery.
- 5) **The continual expansion of the tourism sector.** In 2016, it is projected that the numbers of inbound tourists will be approximately 32.5 million people, which will generate tourism receipts of about 1.65 trillion baht, increasing by 8.8 and 9.8 percent, respectively. The expansion will continue to drive the overall economy and offset the decline in export revenues.

#### ❑ Risk factors and limitations to the economic growth

- 1) Key limitations that curb down the export of goods to exhibit only a small growth and not sufficient to contribute to the overall economic growth include (i) **The delay in the recovery of global economy and export price.** In the base case, it is expected that the global economy will expand by 3.3 percent. Even though this rate is higher than the 3.0 percent growth in 2015, it is still close to the average post-crisis growth of 3.5 percent during 2011 – 2014 when Thai export declined continually. (ii) **Depreciation of major currencies of trading partners and competitors which becomes increasingly apparent.** In particular, the RMB is expected to depreciate due to capital outflow, the decrease of foreign reserves, and currency speculation of the RMB in the offshore market. Meanwhile, the Bank of Japan announced further easing of its monetary policy by introducing negative interest rates on a portion of current account deposits that financial institutions hold with the central bank and also is likely to have additional monetary easing during the rest of the year. Likewise, the European Central Bank is expected to have further easing of its monetary policy. Moreover, the currencies of the countries that rely As a result of the increased production of commodities in the world market and the currency depreciation of key producers, it is projected that the export prices in 2016 will continue to fall by 0.5 percent, compared with a contraction of 0.5, 1.0, and 2.3 percent in 2013, 2014, and 2015, respectively.
- 2) **The slowdown of the Chinese economy and countries with weak economic fundamentals** remain a risk which may cause the global economic growth to be lower than expected. In the base case, the Chinese economy is expected to grow by 6.5 percent, decelerating from 6.9 percent in 2015. Nevertheless, such modest slowdown of the Chinese economy in the base case depends on a number of conditions, including (i) investors' expectation of the Chinese economy's long-term growth, as well as the fluctuation of the RMB and the capital outflow movement; (ii) ability of the Chinese government to manage

the downward trend of business cycle, especially in the capital outflow management, the RMB depreciation, and the problems in the Chinese financial market and economic restructuring in order to restore investors' confidence. Similarly, there has been increasing risk of economic crisis for the countries with weak economic fundamentals, especially ones heavily depending on the export of commodities, with high level of foreign debts and facing with rapid currency depreciation, such as Venezuela and Brazil.

- 3) **Prices of key agricultural products are expected to pick up at slower pace than anticipated, due to the delay in global economic recovery, the increased global output, the decline of crude oil price, and the depreciating currencies of the exporting countries**, particularly the prices of rubber, palm oil, and various energy crops. The slow recovery of agricultural prices continues to impose constraints on the recovery of farm income for a period of time.
- 4) **Impact from drought** tends to be severe due to the low level of the available water in all large reservoirs across the country and the anticipated level of rainfall in 2016. According to the Royal Irrigation Department, as of 11 February 2016, the available water level is at 14,043 million cubic meters, which is lower than the 19,000 million cubic meters of the same period in previous year.

#### □ Key assumption for 2016 economic projection

World Economic Projection

	Actual Data		Projection of 2016	
	2014	2015	Nov 16, 2015	Feb 15, 2016
World Economic Growth (%)	3.2	3.0	3.4	3.3
USA	2.4	2.4	2.7	2.6
EU	0.9	1.6	1.6	1.7
Japan	0.0	0.6*	1.2	1.0
China	7.3	6.9	6.7	6.5
World Trade Volume (%)	3.4	2.6	3.8	3.2
Exchange Rate (Baht/US dollar)	32.48	34.29	36.0-37.0	35.5-36.5
Dubai Crude Oil (US Dollar/Barrel)	96.5	50.9	50.0-60.0	32.0-42.0
Export Price (US Dollar) (%)	-1.0	-2.3	0.5-1.5	(-1.0)-0.0
Import Price (US Dollar) (%)	-1.8	-10.8	1.0-2.0	(-2.5)-(-1.5)
Tourist (Million Person)	24.8	29.9	32.5	32.5

Source: NESDB

- 1) **The world economy and world trade volumes in 2016 are projected to grow by 3.3 and 3.2 percent, respectively, revising down from 3.4 and 3.8 percent in the previous projection.** This is due to the lower-than-expected growths of key economies, especially US, Japan, and China. Moreover, the economies of countries with weak economic fundamentals, such as Russia, the Middle East, and Brazil, are likely to expand with lower-than-expected growth rates due to the decline in crude oil price.
- 2) **Average Thai baht for 2016 is expected to be in the range of 35.5 - 36.5 Baht per US dollar**, depreciating from 34.29 Baht per US dollar in 2015. This is a downward revision from 36.0-37.0 Baht per US dollar in previous projection as the US Fed tends to raise its policy rate more gradually than previously expected. Meanwhile, the European Central Bank and the Bank of Japan are likely to further ease their monetary policies amid the weakening Chinese RMB.



- 3) **Average Dubai crude oil price in 2016 is expected to be in the range of 32.0 - 42.0 US dollar per barrel, lower than 50.9 US dollar per barrel in 2015 and the previous assumption of 50 – 60 US dollar per barrel.** The reasons for this revision includes (i) High excess supply of oil due to OPEC's effort to maintain its market share, the oil production of the Islamic Republic of Iran after its sanction having been lifted, as well as the US export of crude oil, (ii) Weak demand for oil due to a slow recovery of the global economy and the Chinese slowdown, (iii) Moderate winter which caused the demand for oil during winter months to decline, (iv) High US inventory level as shown by the increase in inventory in December 2015 of 22.5 percent higher than same period in previous year, and 35.6 percent higher than the 5-year average, and (v) The appreciation of US dollar and the depreciation of the currencies of oil-exporting countries.
- 4) **Export prices in US dollar term is projected to decrease by (-1.0) - 0.0 percent,** compared with a contraction of 2.3 percent in 2015. This is a downward revision from a growth of 0.5-1.5 percent in previous projection. This is due to revision of Dubai crude oil price to be lower than 2015 and the subdued prices of agricultural products. **Import price in US dollar term is projected to fall by (-2.5) – (-1.5) percent, compared with a 10.8 percent decrease in 2015.** This is a downward revision from the assumption of 1.0 - 2.0 growth in previous projection in line with the downtrend of Dubai crude oil price and the prices of raw materials in the global market.
- 5) **The number of tourists in 2016 is expected to be 32.5 million, unchanged from previous projection,** with an 8.7 percent increase from the level of 29.9 million in 2015. Meanwhile, income from tourism in 2016 is projected to be at 1.65 trillion baht, a 9.8 percent growth comparing with the level of 1.52 trillion baht in 2015. The supporting factors for such expected improvement includes (i) Normal domestic political situation, (ii) Thailand remains a key international tourist destination, and (iii) The increase of low-cost airlines on their short-haul international operations. Nevertheless, the growth of inbound tourists during the rest of the years may face constraints from the Chinese economic conditions and its exchange rate depreciation.
- 6) **Government disbursements** are expected to disburse as follow: (i) FY 2016 annual budget of 93.4 percent of the overall budget, including current and capital expenditure budget disbursement rates of 98.0 and 75.0 percent, respectively; (ii) State-owned enterprises' capital budget disbursement of 75.0 percent; (iii) Carry-over budget disbursement of 70.0 percent; (iv) Off-budget loans of 66,000 million baht, including the Economic Stimulus Package phase II: Loans for water resource management and road transport system projects, Thai Khem Kaeng stimulus package phase II (TKK) million and the Development Policy Loan (DPL), compared with 44,200 million baht in FY 2015 and; (v) Additional government budget disbursement of 93.0 percent of the budget framework of 56,000 million baht.

#### ❑ Economic Projection for 2016:

**The Thai economy in 2016 is projected to grow in the range of 2.8 – 3.8 percent with the average growth of 3.3 percent, improving from 0.8 and 2.8 percent in 2014 and 2015, respectively. Headline inflation is expected to lie between (-0.1) - 0.9 percent and the current account balance will be in a surplus of 8.2 percent of GDP.**

**In the press release on 15<sup>th</sup> February 2016, NESDB estimated that the Thai economy will expand by 2.8 – 3.8 percent, lower than the previous projection of 3.0 – 4.0 percent in the press release on 16<sup>th</sup> November 2015. Key reasons for the revision are as follows:**

The downward revision on the world economic growth and export price assumptions which make export volume and value in 2016 to increase at slower pace and contribute less to the overall economy than previously anticipated.

The upward revision on the disbursement rate and the government budget from the FY 2016 additional budget of 56 billion baht.

#### □ Key contributions to the economic growth

- 1) **Consumption Expenditure** is expected to grow by 2.7 percent, accelerating gradually from 2.1 percent in 2015. This is an upward revision from 2.6 in the previous forecast. Such improvement is underpinned by (i) Continual declining oil prices which should benefit consumer's purchasing power, (ii) Better consumer confidence, (iii) Ongoing government measures to support low-income households and farmers who have been affected by low agricultural prices, (iv) The normalization of domestic automotive industry. However, an expansion of household expenditure is still constrained by the slow recovery of agricultural prices and may face further risk from the drought. Meanwhile, **government expenditure** is expected to grow by 3.7 percent, up from 2.2 percent in 2015, and higher than 3.2 percent in the previous projection.
- 2) **Total investment** is expected to expand by 9.3 percent, accelerating from 4.4 percent in 2015. This is a slight downward revision from 9.5 percent in the previous projection. **Private Investment** is expected to grow by 3.2 percent, picking up from a 2.0 percent contraction in 2015 but a downward revision from 4.7 percent in the previous projection. This is due to remained low capacity utilization following the constrained growth of the export-oriented industry despite improving domestic investment climate, with the support from low interest rate, progress on government's key investment projects, as well as the economic stimulus packages. Meanwhile, **public investment** is expected to grow moderately at 11.2 percent, decelerating from 29.8 percent due to a high base effect and a decrease in SOEs' capital budget.
- 3) **Export value of goods in US dollar term** is likely to grow by 1.2 percent, improving from a contraction of 5.6 percent in 2015. This is, nonetheless, a downward revision from the 3.0 percent growth in the previous estimation. The revision was mainly due to a downward revision in export price in line with falling crude oil price, as well as the downward revision of export quantity due to lower-than-anticipated world growth and world trade. Coupled with continual expansion of export of services due to increasing number of foreign tourists, **volume of export of goods and services** is expected to expand by 2.5 percent, lower than 3.1 percent in previous projection, but still higher than the 0.1 percent growth in 2015.
- 4) **Import value of goods in US dollar term** is forecasted to grow by 1.3 percent, significantly better than a contraction by 11.3 percent in 2015, but lower than 5.4 percent growth in previous estimation. This revision is owed to (i) the downward revision in import price from 1.0-2.0 percent expansion to contraction of (-2.5) - (-1.5) percent; (ii) the downward revision in export growth, leading to a decline in demand for import from the previous projection. Together with import of services, **volume of import of goods and services** is projected to grow by 3.3 percent, compare with a contraction by 0.4 percent in 2015.
- 5) **Trade balance** is projected to register a surplus of 34.8 billion US dollars, increasing from 34.6 billion US dollars in 2015, representing an upward revision from 29.6 billion US dollars in the last projection due to import value being revised down much faster than export value. Meanwhile, the current account is expected to register a surplus of 32.1

billion US dollars, or an equivalence of 8.2 percent of GDP, increasing from 5.7 percent of GDP in the preceding forecast mainly due to an increase in trade surplus.

- 6) **Economic Stability remains favorable.** The average headline inflation in 2016 is projected to be in the range of (-0.1) - 0.9 percent, compared with a decline of 0.9 percent in 2015, which is a downward revision from 1.0 - 2.0 percent growth in the preceding forecast, following a downward trend in world crude oil prices.

## 6. Economic Management in 2016

In 2016, there remains downside risks to the Thai economy especially the global recovery that might be slower than anticipated. In addition, the production and income base of those in agricultural sector are likely to be affected by the drought and also a slow pickup in world agricultural prices. Therefore, the economic management in 2016 needs to focus on improving income base of farmers and low-income earners, strengthening export and tourism sectors, as well as expediting the public and private investment in order to further support the expansion of domestic demand and enhance the long-term economic growth potentials. Key policy issues are as follows:

- 1) **The implementation of key public infrastructure according to its action planned and targeted disbursement in order to further support the economic growth in 2016.** This is in particular (i) the mega projects under the action plan at its urgent phase in 2016 which are ready for bidding process and their budgets are to be disbursed within 2016 (with 66,834 million baht expected disbursement). (ii) the water resource management (with 33,865 million baht expected disbursement), and (iii) the road transportation development plan under the economic stimulus package phase II (with 4,517 million baht expected disbursement).
- 2) **The implementation of key measures under the economic stimulus package that were already approved to be completed as planned in order to support income of farmers and low-income earners.** Key measures that were already disbursed consist of (i) the assistance measure for low-income earners and at sub district level (following the cabinet resolution on 1<sup>st</sup> September 2015 and 6<sup>th</sup> October 2015), (ii) the assistance measure for rubber farmers (following the cabinet resolution on 3<sup>rd</sup> November 2015), and (iii) the project for strengthening the grass-root economy following the state of people (following the cabinet resolution on 26<sup>th</sup> January 2016).
- 3) **Supporting the recovery and the expansion of private investment** by (i) promoting and supporting investors to utilize investment privileges already approved by the cabinet, such as, tax incentive for investment promotion, investment acceleration measures under BOI, and fiscal and monetary measures to promote SMEs. And (ii) implementing proactive measures to incentivize investors to invest in the targeted industries and service sectors which will contribute to future development of the country, such as targeted industries and services listed under industrial cluster development and the supporting framework for International Headquarters (IHQ) and International Trading Center (ITC).
- 4) **Effectively implementing measures under Thailand's International Trade Strategies 2559-2564 announced by Ministry of Commerce to increase exports,** especially by (i) promoting and facilitating border trade promotion within CLMV countries, (ii) seeking for new trade and service markets particularly those service sector that Thailand has advantages and being well known for, (iii) collaborating with private sectors in seeking new potential markets, and (iv) reducing obstacles and red tapes caused by the government's operational process and regulations.
- 5) **Promoting domestic tourism and launching Thailand's tourism promotion campaign activities** in major tourism clusters and also developing tourism-related products together with neighboring countries, as well as solving such critical problems as frauds against tourists and safety.





Projection for 2016<sup>1</sup>

	Actual Data		Projection	
	2014	2015	Nov 16, 2015	Feb 15, 2016
GDP (at current prices: Bil. Bht)	13,132.2	13,537.5	14,123.6	14,038.4
GDP per capita (Bht per year)	195,995.2	201,342.8	209,378.0	208,115.0
GDP (at current prices: Bil. USD)	404.3	395.2	386.9	390.0
GDP per capita (USD per year)	6,033.6	5,878.2	5,736.4	5,781.0
GDP Growth (CVM, %)	0.8	2.8	3.0 - 4.0	2.8 - 3.8
Investment (CVM, %)	-2.4	4.7	6.3	4.9
Private (CVM, %)	-1.0	-2.0	4.7	3.2
Public (CVM, %)	-7.3	29.8	11.2	11.2
Private Consumption (CVM, %)	0.6	2.1	2.6	2.7
Public Consumption (CVM, %)	2.1	2.2	3.2	3.7
Export volume of goods & services (%)	0.2	0.1	3.1	2.5
Export value of goods (Bil. USD)	224.8	212.1	220.0	214.7
Growth rate (%) <sup>2/</sup>	-0.3	-5.6	3.0	1.2
Growth rate (Volume, %) <sup>2/</sup>	0.7	-3.4	2.0	1.7
Import volume of goods & services (%)	-5.3	-0.4	4.0	3.3
Import value of goods (Bil. USD)	200.2	177.5	190.3	179.8
Growth rate (%) <sup>2/</sup>	-8.5	-11.3	5.4	1.3
Growth rate (Volume, %) <sup>2/</sup>	-6.8	-0.6	3.9	3.5
Trade balance (Bil. USD)	24.6	34.6	29.6	34.8
Current account balance (Bil. USD)	15.4	34.8	22.2	32.1
Current account to GDP (%)	3.8	8.9	5.7	8.2
Inflation (%)				
CPI	1.9	-0.9	1.0 - 2.0	(-0.1) - 0.9
GDP Deflator	1.0	0.3	1.0 - 2.0	(-0.1) - 0.9

Source: Office of the National Economic and Social Development Board, 15<sup>th</sup> February 2016

Note: <sup>1/</sup> Data was calculated based on new National Accounts Office's Series, published on [www.nesdb.go.th](http://www.nesdb.go.th)

<sup>2/</sup> Export and import base on the Bank of Thailand's data.