



Thai Economic Performance in Q3 and Outlook for 2016 - 2017

Macroeconomic Strategy and Planning Office

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Economic Projection of 2016 - 2017

(%YoY)	2015	2016		Projection	
	Year	Q2	Q3	2016	2017
GDP (CVM)	2.8	3.5	3.2	3.2	3.0-4.0
Total Investment	4.7	3.2	1.4	3.0	5.0
Private	-2.0	0.2	-0.5	1.2	2.8
Public	29.8	11.9	6.3	10.0	11.2
Private Consumption	2.1	3.8	3.5	3.0	2.7
Government Consumption	2.2	1.5	-5.8	0.6	2.1
Export of Goods ¹	-5.6	-2.5	0.4	0.0	2.4
Volume ¹	-3.4	-1.6	-0.3	0.2	1.2
Import of Goods ¹	-10.6	-7.8	-2.4	-5.2	4.5
Volume ¹	0.3	-3.0	-1.4	-2.5	1.5
Current Account to GDP (%)	8.2	8.1	10.2	11.3	10.2
Inflation	-0.9	0.3	0.3	0.2	1.0-2.0

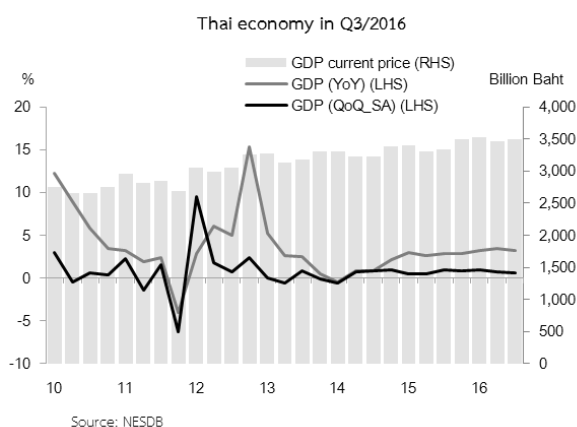
Remark: ¹ base on the Bank of Thailand's data

- ❑ **The Thai economy in the third quarter of 2016** grew by 3.2 percent, continuing from 3.5 percent in the previous quarter. After seasonal adjustment, the Thai economy in the third quarter expanded by 0.6 percent from the second quarter of 2016. In the first nine months, the Thai economy registered an average of 3.3 percent growth.
- ❑ **On expenditure side**, household consumption and public investment continued to expand well. Export of services accelerated and export of goods returned to show a positive growth. However, government spending declined. On the production side, hotel and restaurants sector accelerated while transportation, construction, wholesale and retail and manufacturing sectors continued to grow. In the mean time, agricultural sector showed the first expansion in the past eight quarters.
- ❑ **In 2016, the Thai economy is expected to grow by 3.2 percent.** Private consumption and public investment are predicted to record 3.0 and 10.0 percent growth respectively while export value growth will be unchanged. It is expected that the inflation will be 0.2 percent and the current account will be in a surplus of 11.3 percent of GDP.
- ❑ **In 2017, the Thai economy is likely to register a 3.0 - 4.0 percent growth.** Key supporting factors include (i) a slow recovery of the export sector which will further support the recovery of manufacturing production and private investment; (ii) recovery and acceleration of agricultural production; (iii) a continual high growth of public investment. It is forecasted that value of export of goods, private consumption, and total investment will be 2.4, 2.7, and 5.0 percent, respectively. Headline inflation rate will lie in the range of 1.0-2.0 percent, and the current account will register a surplus of 10.2 percent of GDP.
- ❑ **Economic management for the remainder of 2016 and the year 2017** should emphasize on (i) improving efficiency of budget disbursement to be no lower than 80 percent of capital budget and SOEs budget disbursement, and 75 percent of carry-over budget disbursement. It is important to speed up the implementation of key public infrastructure projects, including transportation system, Eastern Economic Corridor, and special border economic zones; (ii) sustaining tourism receipts by implementing tourism marketing strategy in 2017, providing better understanding on zero-dollar tours, as well as tourism activities; (iii) facilitating export growth acceleration by proactively expanding to new potential export markets, supporting marketing plan to achieve targeted export markets, promoting border trade with CLMV, enhancing value added for export products with innovation, and monitoring trade protection policy adopted by other countries; (iv) assisting farmers and preparing measures to handle agricultural products expansion by reducing production cost, supporting large-scale farming, adopting proper crop plantation suitable for each areas, and minimizing marketing process in order to pass on higher income to farmers; and (v) building up confidence and supporting private investment growth by accelerating export in order to reduce excess production capacity, inducing investors to invest in targeted industrial and service sectors, providing information on progress of key public infrastructure projects, facilitating investors who wish to move their production base to Thailand, providing information on the political roadmap, as well as its purpose and the key content of drafted constitution, particularly those related to reform process under the National Strategy.



The Thai economy in the third quarter of 2016 and the outlook for 2016-2017

The Thai economy in the third quarter of 2016 expanded by 3.2 percent, continuing from 3.5-percent growth in the previous quarter. On **expenditure side**, household consumption and public investment continued to expand well. Export of services accelerated and export of goods showed the first expansion in past seven quarters. However, government spending declined after expedited disbursement in earlier period. On the **production side**, hotel and restaurants sector accelerated while transportation, construction, wholesale and retail trade and manufacturing sectors continued to grow. In the mean time, agricultural sector expanded for the first time in eight quarters. After seasonal adjustment, the Thai economy in the third quarter expanded by 0.6 percent (QoQ_SA) from the second quarter of 2016. **For the first nine months**, Thai economy grew by 3.3 percent, improving from 2.8-percent growth in the same period of last year.



The Thai economy in the third quarter of 2016

1) Private consumption expanded by 3.5 percent, continuing from high growth of 3.8 percent in the previous quarter. Key supporting factors include higher agricultural production and farm income, as well as government stimulus measures and long holidays during 16-20 July 2016. Such growth was also consistent with the expansion of VAT in hotel and restaurant (constant prices) of 13.1 percent, the expansion of passenger cars and motorcycles of 11.0 and 17.8 percent, respectively. Spending in other products also continued to expand. Meanwhile, consumer confidence index on overall economic situation stood at 62.3, compared with 61.1 in the previous quarter. **Government consumption** declined by 5.8 percent due to expedited disbursement in earlier period.

In the first nine months of 2016, private consumption grew by 3.2 percent, improving from 2.0 percent in the same period last year.

2) Total investment grew by 1.4 percent. Public investment expanded favorably by 6.3 percent, resulting from a 3.8-percent growth of government investment and 10.5-percent growth of SOEs investment. However, **private investment** dropped by 0.5 percent, due primarily to decline of investment in pick-up trucks, while investment in construction declined by 0.2 percent. BOI approval increased by 50.2 percent, improving significantly from a 4.4 percent decline in the previous quarter. In this quarter, BOI approved several projects with high investment value including the large natural gas pipelines project worth 96.5 billion baht investment value and the petrochemical production project worth 74.2 billion baht. Business sentiment index stood at 49.2, compared with 50.0 in the previous quarter.

In the first nine months of 2016, total investment expanded by 3.1 percent with a 10.3 percent growth of public investment and a 0.6 percent growth of private investment.

3) Export of goods was recorded at 54.9 billion USD, or a 0.4-percent growth which was the first expansion in seven quarters. Export price increased by 0.8 percent, the first expansion in previous fourteen quarters. Nevertheless, export volume dropped by 0.3 percent owing to declines in agricultural export products while fisheries and industrial products increased. Export items with increased value include passenger cars, air conditioning, machinery and equipment, crustaceans. Export items with declined value include rice, rubber, cassava, sugar, chemical and petrochemical products.

Exports to US, Australia, EU-15, Japan and ASEAN-5 expanded, while exports to China, Middle East and CLMV declined. Export value excluding unwrought gold declined by 0.1 percent. In Baht term, export of goods valued

1.913 billion Baht, or declining by 0.7 percent, compared with 3.4-percent growth in the previous quarter.

In the first nine months of 2016, export value was recorded 159.5 billion USD, or dropping by 1.2 percent. Export volume declined by 0.3 percent and export price dropped by 0.8 percent. In Baht term, export value was 5.6 trillion Baht, or 3.3 percent growth.

- 4) **Manufacturing sector** expanded by 0.9 percent, compared with 2.1 percent in the previous quarter. Manufacturing production with more than 60 percent export share increased by 1.5 percent which was in tandem with the expansion of export volume in manufacturing products. Manufacturing with less than 30 percent export share increased by 0.5 percent, in line with private consumption expansion. However, manufacturing with 30-60 percent export share declined by 4.1 percent, which was consistent with decline in automobile production. Manufacturing with positive growth include air conditioning, electronics tube and parts, and motorcycles. Manufacturing with negative growth include for example vehicles and parts, apparels and automobiles. Meanwhile, average production capacity utilization rate remained at 64.01 percent.

In the first nine months of 2016, manufacturing sector expanded by 0.9 percent. Manufacturing index grew by 0.1 percent and capacity utilization rate averaged 65.79 percent.

- 5) **Hotel and restaurants sector** showed a high growth of 15.9 percent, accelerating from 12.7 percent in the previous quarter. Numbers of foreign tourist were 8.23 million persons, increasing by 13.1 percent contributed mainly by increased numbers of inbound tourists from all regions. Tourism receipts stood at 441.71 billion Baht with 17.1 percent growth. Average occupancy rate was 60.4 percent, up from 58.5 percent in the same period last year.

In the first nine months of 2016, hotel and restaurants sector grew by 14.8 percent. Numbers of inbound tourists were 24.82 million persons with 12.4 percent growth. Tourism receipts stood at 1,323.57 billion Baht with 17.9-percent growth. Average occupancy rate was 65.9 percent.

- 6) **Construction sector** grew by 5.0 percent, compared with 7.8 percent in the last quarter. This was owed to 10.7 percent growth in public construction (in which was a result of 5.0 percent government construction growth and 25.3 percent SOEs construction growth). Private construction, however, declined by 0.2 percent.

In the first nine months of 2016, construction sector grew by 7.9 percent, in which that public construction and private construction expanded by 15.0 and 1.5 percent, respectively.

- 7) **Agricultural sector** experienced a 0.9 percent growth, the first expansion in eight quarters compared with a decline of 1.2 percent in the last quarter. The expansion was due mainly to the fact that the drought conditions have become alleviated. Major crops with positive growth include cassava, oil palm, livestock and fisheries. Major crops with negative growth include paddy, maize, rubber and fruits. Agricultural price increased by 13.1 percent due primarily to higher prices of rubber ribbed sheet No.3, oil palm, meat, eggs, and shrimp. However, prices of cassava, maize, and sugarcane declined. As a result of increased agricultural price, farm income continually increased by 12.5 percent.

In the first nine months of 2016, agricultural sector declined by 0.7 percent. Agricultural production index declined by 3.9 percent, while agricultural price rose by 4.1 percent. Farm income index thus declined by 0.8 percent.

The Thai Economic Outlook for 2016 - 2017

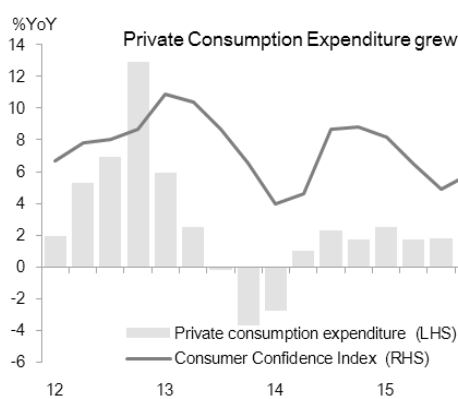
NESDB projects that the Thai economy in 2016 will expand by 3.2 percent, improving from 2.8 percent in 2015 and remaining in the previous range of 3.0-3.5 percent forecasted on 15 August 2016. Export of goods and service, private consumption and total investment are predicted to record 3.2, 3.0 and 3.0 percent growth, respectively. The headline inflation will be 0.2 percent and the current account will be in a surplus of 11.3 percent of GDP.

In 2017, the Thai economy is likely to register a 3.0-4.0 percent growth. Key supporting factors include (i) a recovery of the export sector, which will further support the growth of manufacturing sector and private investment; (ii) recovery and acceleration of agricultural sector; (iii) a continual high growth of public investment; (iv) continual support from the tourism sector. It is forecasted that value of export of goods, private consumption, and total investment will grow by 2.4, 2.7, and 5.0 percent, respectively. Headline inflation rate will be in the range of 1.0 - 2.0 percent and the current account will register a surplus of 10.2 percent of GDP.

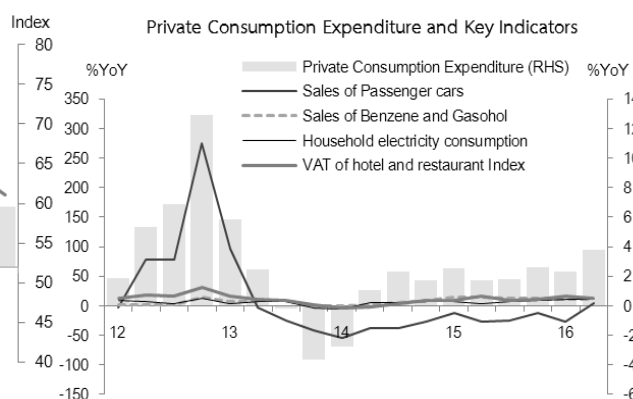
1. The Thai Economy in Q3/2016

□ Expenditure Side:

Private consumption expenditure continually expanded in line with the acceleration of the expenditure in services and the continual expansion in consumption of non-durable products and durable products consistent. In the third quarter of 2016, the private consumption expenditure grew by 3.5 percent, compared with 3.8 percent recorded in last quarter. The VAT of hotel and restaurant index (at 2010 price) grew by 13.1 percent, improving from 11.0 percent growth last quarter. This was caused by long weekend during 16 - 20 July 2016 as well as tax measurement enhancing domestic tourism sector (implementing since January – December 2016). Sales of passenger cars and motorcycles expanded by 11.0 and 17.8 percent, respectively. Other kinds of expenses also expanded. For example, sales of benzene and gasohol, and diesel grew by 11.2 and 2.2 percent respectively, and sales of beer grew by 5.3 percent. Consumer Confidence Index pertaining the overall economic situation stood at 62.3, compared with 61.1 recorded in last quarter.



Source: NESDB, University of the Thai Chamber of Commerce



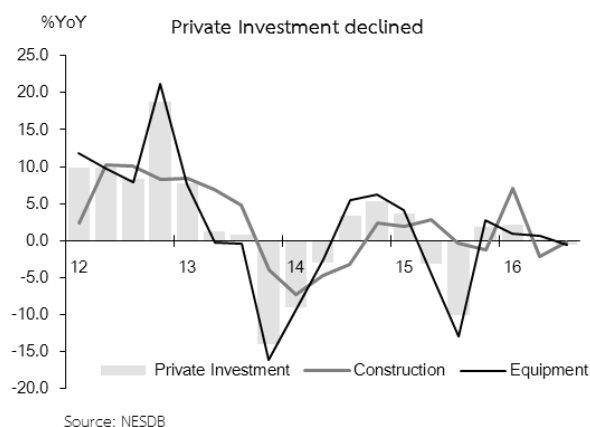
Source: NESDB, BOT, Department of Energy Business

Private investment contracted, due to decline in both investments in machinery and equipment, and in construction. In the third quarter of 2016, private investment decreased by 0.5 percent, compared with an increase of 0.2 percent in the last quarter. **The investment in machinery and equipment** fell by 0.5 percent. The sales of commercial car decreased by 3.7 percent, compared with an increase of 12.4 percent in the last quarter. However, import of capital (at 2010 price) decreased by 2.2 percent, improving from a 3.4 percent contraction last quarter. **The investments in construction** fell by 0.2 percent, compared with the 1.7 percent reduction in the last quarter. This is consistent with the sales of cement, concrete, and tile which decreased by 2.5, 5.7 and 1.0 percent respectively. However, the permitted construction area rose by 5.1 percent in this quarter, improving from a 22.1 percent reduction last quarter. **The value of projects applied for the investment promotion** made to Board of Investment (BOI) in this quarter was recorded at 65.4 billion baht, decreasing by 22.7 percent. **The value of projects approved** by BOI was recorded at 380 billion baht, rose by 50.2 percent and well improved from the 4.4 percent reduction last quarter. In this quarter, Board of Investment (BOI) approved several projects with high value such as project of Natural Gas Transmission System worth 96.5 billion baht, and petrochemical products worth 74.2 billion baht. The Business Sentiment Index (BSI) stood at 49.2, compared with the level of 50.0 in the last quarter.

In the third quarter 2016, private consumption and public investment continually expanded. Export of services accelerated, and export of goods registered positive growth once again, while private investment declined.

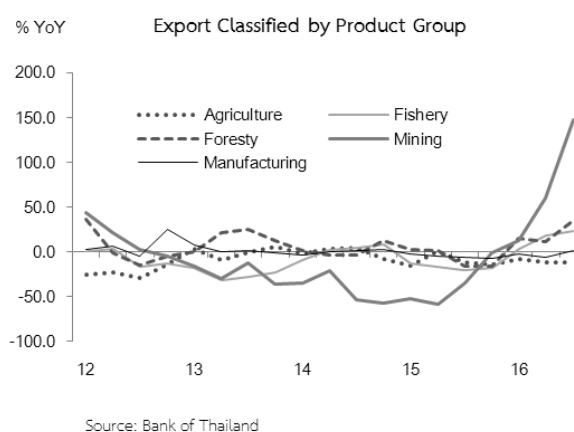
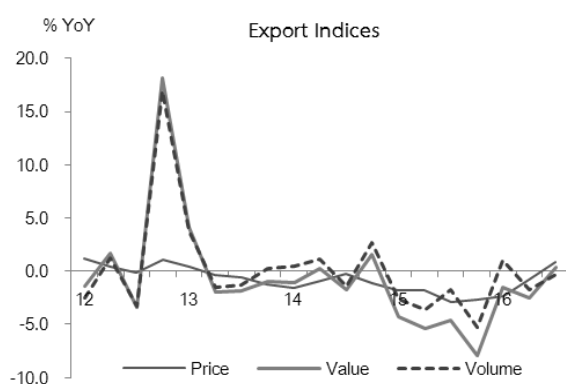
Private consumption expenditure expanded by 3.5 percent, compared with 3.8 percent growth last quarter.

Private investment fell by 0.5 percent, with a decline of investments in machinery and equipment and investments in construction.



Exports in US dollar term increased for the first time in 7 quarters due to the increase in export prices and gradual economic recovery of key trading partners. Export value in the third quarter of 2016 was recorded at 54.9 billion US dollars, representing a 0.4 percent growth, compared with a decline of 1.5 and 2.5 percent in the previous two quarters, respectively. Export value was able to grow owing to 2 main reasons: (i) the export price grew for the first time in 14 quarters by 0.8 percent, particularly refined fuels (by 2.2 percent, with 2.7 percent share), rice (by 2.4 percent, with 1.6 percent share), and sugar (by 20.3 percent, with 1.0 percent share); (ii) the gradually economic recovery in key trading partners, especially US, EU and Japan. Consequently, export quantity only contracted by 0.3 percent, compared with a 1.7 percent contraction in the previous quarter. Excluding unwrought gold, export value contracted by 0.1 percent, compared with a fall of 4.3 percent in the previous quarter. **In baht term**, the value of export was recorded at 1,913 billion baht, decreasing by 0.7 percent, compared with a growth of 3.4 percent in the previous quarter.

Exports in US dollar term expanded by 0.4 percent due to the economic recovery in key trading partners and export price. In baht term, export value decreased by 0.7 percent.



Export of agricultural commodities fell by 11.9 percent, compared with a decline of 11.7 percent in the previous quarter. This was due to a 12.4 percent decrease in the export quantity of agricultural products, especially rice, rubber, and sugar. Meanwhile, export prices of agricultural products increased by 0.9 percent (expanded for the first time in 20 quarters). This was mainly due to the increase in the export prices of rice and sugar. However, the export prices of other agricultural products, such as tapioca and rubber continued to decline. The exports of major agricultural products are as follows. **Rice's** export value fell by 12.5 percent due to a 13.7 percent fall in export quantity, (mainly to China, Malaysia, and Cameroon) whereas export price increased by 2.4 percent. The export value of **tapioca** fell by 11.3 percent due to a 11.5 percent decrease in export price, while its export quantity increased by 2.5 percent. Meanwhile, the export value of **rubber** fell by 27.3 percent as its export quantity fell by 10.7 percent (as rubber stock of China, who is the World's main importer, remained high)

Export of agricultural commodities fell, but exports of manufacturing products, fishery and other products increased.



whereas export price fell by 18.3 percent. Export value of **sugar** fell by 33.4 percent, as export quantity decreased by 44.9 percent, while its export price increased by 20.3 percent. **Export value of manufacturing products** grew by 0.9 percent, improving from a 5.8 percent decline in the previous quarter. The expansion was supported by the recovery of the global demand. As a result, the quantity of manufacturing export increased by 0.3 percent, compared with a 5.1 percent decline in the previous quarter. The price of manufacturing export also increased by 0.6 percent. The export values of key manufacturing products with growth in this quarter include passenger cars (6.0 percent), machinery & equipment (2.2 percent), and integrated circuits & parts (0.7 percent), and air conditioning machines (12.6 percent). Meanwhile, the export value of chemicals, petro-chemical products and petroleum products contracted by 1.0, 5.8, and 28.5 percent, respectively. The export value of **fishery products** increased by 22.6 percent, with a 6.3-percent growth in export price and a 15.2-percent growth in export quantity.

Export Value of Major Product in US Dollar Term

%YoY	2015					2016						Share Q3/16 (%)
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul	Aug	Sep	
Agriculture	-10.7	-15.2	0.8	-12.2	-14.6	-7.8	-11.7	-11.9	-28.9	-10.4	5.7	6.2
Rice	-15.2	-5.1	-7.4	-27.6	-17.4	11.8	-13.2	-12.5	-35.1	-8.0	6.4	1.6
Rubber	-16.0	-36.1	-12.6	11.1	-15.6	-22.2	-8.4	-27.3	-34.8	-31.9	-12.1	1.9
Tapioca	-0.7	-2.7	64.2	-29.0	-17.2	-17.1	-37.0	-11.3	-35.7	3.1	7.2	0.8
Manufacturing	-5.5	-2.5	-5.3	-6.3	-7.9	-2.7	-5.8	0.9	-9.8	10.2	3.0	88.4
Sugar	-2.0	1.2	-8.2	12.7	-11.8	30.9	-11.7	-33.4	-33.0	-21.1	-44.5	1.0
Crustaceans canned, prepared, or preserved	-13.8	-4.6	-17.5	-10.2	-20.4	-17.5	12.5	-4.1	-1.3	-9.2	-1.6	0.5
Rubber products	-19.1	-20.6	-9.4	-30.6	-15.0	0.9	0.4	23.4	17.9	34.6	18.7	1.8
Apparels and Textile Materials	-8.2	-6.2	-8.9	-8.6	-9.1	-6.6	-6.0	-5.3	-13.3	0.8	-2.4	3.0
Electronics	-3.7	-0.1	-2.7	-5.3	-6.3	-5.5	-7.6	0.7	-3.8	1.7	3.8	14.9
Computer parts & accessories	-5.0	-4.6	-2.8	-6.7	-5.8	-7.5	-12.7	-4.1	-7.6	-4.3	-0.7	6.3
Integrated circuits & parts	3.1	4.5	-0.2	5.2	2.8	-3.4	-0.4	0.7	2.4	3.2	-2.8	3.9
Printed circuits	6.1	26.9	17.3	0.2	-11.4	-12.7	-9.4	-1.9	-6.8	-1.0	2.0	0.6
Electrical Appliances	-2.1	-0.6	-3.5	0.4	-4.6	-2.7	5.5	8.5	0.4	13.5	12.2	5.7
Air conditioning machines	0.3	-1.5	-2.9	7.0	1.0	0.1	12.6	12.6	5.6	26.5	8.6	1.8
Metal & Steel	-4.1	4.7	-8.4	-5.9	-6.2	-10.8	-1.8	9.6	-2.9	31.7	4.1	4.6
Automotive	2.5	4.9	-3.7	6.9	1.6	-1.5	6.3	5.7	-16.9	34.5	1.8	16.3
Passenger car	46.5	8.0	7.1	88.0	81.2	74.8	54.6	6.0	-21.3	54.4	-8.4	5.9
Pick up and trucks	-20.0	5.2	-18.4	-30.8	-37.4	-42.5	-26.8	2.2	-42.4	61.0	-3.3	3.3
Machinery & Equipment	-0.2	3.8	1.7	-4.1	-1.8	-0.4	-9.2	2.2	-6.7	3.3	10.6	8.7
Chemicals	-25.6	-23.5	-21.4	-30.8	-27.1	-14.9	-10.4	-1.0	-14.9	-0.6	15.9	2.7
Petro-chemical Products	-11.8	-10.2	-12.7	-9.3	-15.2	-5.8	-7.8	-5.8	-11.3	-1.4	-4.3	5.1
Petroleum products	-28.3	-27.2	-17.8	-34.3	-32.6	-42.7	-43.0	-28.5	-40.3	-20.9	-21.0	2.8
Fishery	-17.2	-13.4	-16.5	-20.8	-17.4	3.3	18.6	22.6	18.9	18.3	30.0	1.0
Crustaceans	-18.8	-10.6	-18.1	-26.4	-18.1	22.3	66.1	50.5	57.3	44.6	50.0	0.5
Other Exports	22.2	-30.8	4.6	215.3	25.4	193.5	82.9	17.5	346.7	-44.5	-13.0	3.1
Non-monetary gold (excl. articles of goldsmiths)	36.8	-31.5	6.0	411.2	53.8	230.7	111.0	20.7	446.1	-45.3	-12.6	3.0
Total Exports (Customs basis)	-5.8	-4.7	-5.0	-5.3	-8.1	0.9	-4.1	1.2	-6.4	6.5	3.4	100.0
Exports, f.o.b. (BOP basis)	-5.6	-4.3	-5.4	-4.6	-7.9	-1.5	-2.5	0.4	-5.0	2.7	3.5	99.2
Export Value (exclude gold)	-6.2	-3.7	-5.5	-6.6	-8.4	-5.2	-4.3	-0.1	-8.8	5.0	3.9	96.3

Source: Bank of Thailand

Export markets: exports to US, EU (15), Japan, Australia and ASEAN (5) expanded, while exports to China and the Middle East declined. Exports to the U.S. expanded by 7.0 percent, in line with the improvement in the US economy. Exports to the EU (15), Japan and Australia expanded by 2.7, 0.8 and 10.8 percent, respectively. Meanwhile exports to China and the Middle East fell by 0.4 and 16.4 percent, respectively. Such decline is in line with the economic deceleration in China and the contraction in exports of pick-up trucks to the Middle East. Export to ASEAN (9) slightly contracted by 0.04 percent, whereas export to ASEAN (5) expanded by 1.1 percent with the export of passenger car to the Philippines and Indonesia.

Exports to US, EU (15), Japan, Australia and ASEAN (5) expanded, while exports to China, and the Middle East declined.

Export Value to Key Markets in US Dollar Term

(%YOY)	2015					2016						Shared Q3/16 (%)
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul	Aug	Sep	
Total Exports (Mil US\$) (Customs basis)	214,352	53,351	53,482	54,691	52,829	53,829	51,308	55,330	17,045	18,825	19,460	100.00
(%YoY)	-5.8	-4.7	-5.0	-5.3	-8.1	0.9	-4.1	1.2	-6.4	6.5	3.4	
United States	0.7	5.6	2.6	0.2	-4.9	-3.2	0.6	7.0	-0.01	14.9	6.6	11.8
Japan	-7.7	-9.2	-3.9	-8.1	-9.6	5.7	-7.5	0.8	-8.5	5.7	5.5	9.1
EU (15)	-5.7	-3.9	-8.4	-4.4	-5.9	-0.5	-1.0	2.7	-11.7	11.8	9.1	9.3
China	-5.4	-14.4	1.2	-1.0	-6.3	-6.4	-10.3	-0.4	-13.5	4.4	7.7	11.1
ASEAN (9)	-7.2	-2.5	-5.9	-10.6	-9.3	3.9	-10.4	-0.04	-6.0	2.6	3.2	24.7
- ASEAN (5)*	-15.1	-9.5	-11.8	-19.5	-19.1	9.1	-14.8	1.1	-4.9	4.2	3.9	15.0
- CLMV**	7.7	10.5	5.5	7.2	7.9	-4.0	-3.5	-1.8	-7.7	0.3	2.1	9.7
Middle East (15)	-10.5	-7.9	-21.6	-8.2	-4.1	-11.3	-8.1	-16.4	-23.4	-4.6	-20.2	3.9
Australia	5.0	9.5	9.2	8.4	-4.8	7.2	13.1	10.8	7.4	23.7	2.8	5.2
Hong Kong	-6.2	-11.5	-9.0	-2.0	-1.9	0.6	-8.2	-4.5	-5.6	-4.3	-3.9	5.6
India	-5.7	6.1	-4.8	-11.5	-11.8	-9.1	-2.4	-2.0	-7.1	1.1	0.2	2.3
South Korea	-9.2	0.6	-16.4	-10.7	-8.6	-9.7	-8.3	0.8	-9.6	-1.8	15.2	1.9
Taiwan	-12.0	4.7	-11.5	-15.3	-23.1	-18.1	-1.1	-3.0	-19.7	5.4	10.1	1.5

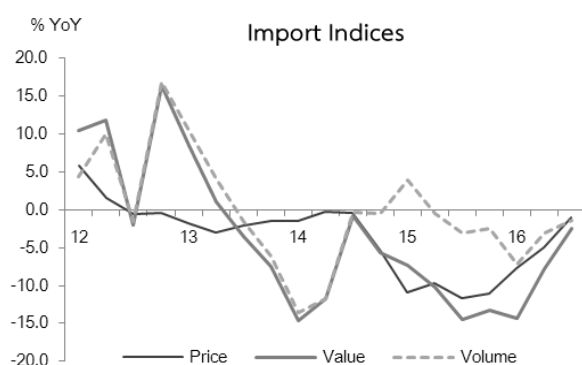
Note: * ASEAN (5) Consist of Brunei, Indonesia, Malaysia, Philippines, and Singapore

** CLMV Consist of Cambodia, Laos, Myanmar, and Vietnam

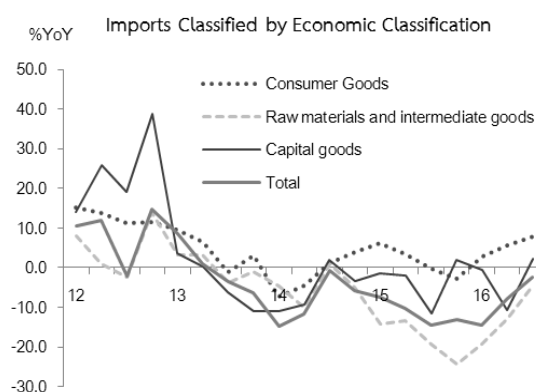
Source: Bank of Thailand

Imports continued to contract as both import quantity and import price declined. In the third quarter of 2016, the value of import was recorded at 45.9 billion US dollars, representing a decline of 2.4 percent, compared with a 7.8 contraction in the previous quarter. This was mainly due to the decline of import price which fell by 1.0 percent as the prices of crude oil, fuel, and natural gas fell. Meanwhile, import quantity fell by 1.4 percent, owing to the decline in the import of capital goods. With unwrought gold excluded, the value of import contracted by 1.5 percent. Import value excluding unwrought gold and crude oil contracted by 0.1 percent. In Thai baht term, the value of import was recorded at 1,600 billion baht, or a contraction of 3.5 percent, compared with a 2.2 percent decline in the previous quarter.

Value of import declined by 2.4 percent, due to decline of import price and quantity.



Source: Bank of Thailand



Source: Bank of Thailand



Overall, there was a decline in import value of raw materials and intermediate goods. Meanwhile, the import of capital goods, consumer goods and other imports expanded. **The import value of raw materials and intermediate goods** declined by 4.7 percent due to a 5.2-decline in import price, while import quantity increased by 0.6 percent. The goods whose import value decreased include crude oil, natural gas and materials of base metal. **The import value of capital goods** grew by 2.2 percent (owing to import price, which expanded by 3.8 percent, while there was a 1.6 percent decline in import quantity). The import whose values increased includes transformers, generators, motors and accumulators, power-generating machinery & parts, aircrafts and ships' derricks, cranes, floating structures, and locomotive. **The import value of consumer goods** grew by 8.0 percent due to a 7.0 and 0.9 percent increase in import quantity and import price, respectively. The import items with an increase in value included animal & fishery products, food, beverage & dairy products and medicinal & pharmaceutical products. **The value of other imports** increased by 0.6 percent, especially the import of automotive (10.8 percent growth), while non-monetary gold in this quarter fell by 28.7 percent.

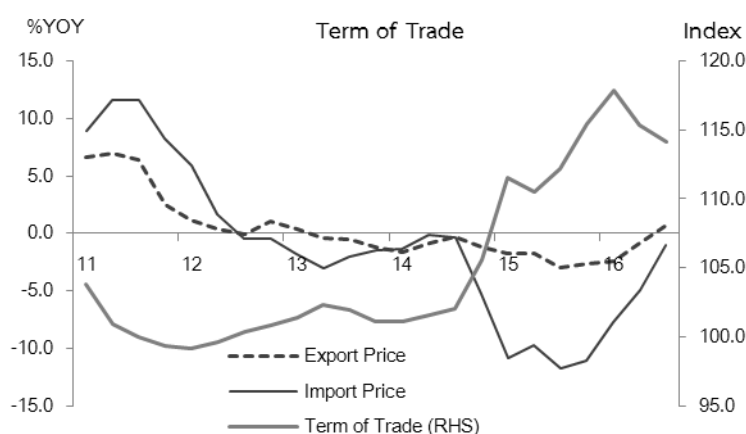
Import value of raw materials and intermediate goods declined, while import value of capital goods, consumer goods and other imports grew.

Import Value of Major Product in US Dollar Term

%YoY	2015					2016						Shared Q3/16 (%)
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul	Aug	Sep	
Consumer goods	1.5	6.3	3.2	-0.4	-2.8	2.7	5.5	8.0	4.4	14.0	5.5	10.8
Animal & fishery products	-7.7	-7.5	-9.6	-12.4	-1.1	-4.7	18.8	24.5	20.5	24.7	28.0	1.7
Food, beverage, and dairy products	-2.1	4.8	-1.9	-5.4	-5.3	-2.6	1.0	6.9	-0.4	10.2	11.2	2.5
Household Electrical Appliances	5.6	3.7	12.0	17.3	-8.0	49.3	-0.3	-9.2	-8.3	-14.2	-5.0	0.4
Medicinal and pharmaceutical products	5.6	23.8	4.7	-2.1	-2.2	-8.1	6.5	6.5	14.5	17.8	-10.1	1.2
Raw materials and intermediate goods	-17.6	-14.1	-13.2	-19.1	-24.2	-19.1	-12.9	-4.7	-10.2	-4.5	1.1	53.7
Crude oil	-41.2	-47.6	-29.6	-42.9	-45.1	-44.1	-37.6	-13.4	-18.3	-33.2	12.7	8.3
Natural gas	0.9	51.8	-11.9	6.5	-27.0	-44.4	-36.7	-42.7	-41.7	-41.1	-45.3	1.4
Petroleum products	-48.8	-49.5	-45.7	-57.4	-38.7	-12.0	-5.2	6.4	2.6	-6.3	24.3	2.1
Materials of base metal	-15.9	-1.8	-12.6	-15.7	-32.2	-19.6	2.0	-4.3	-9.0	-2.7	-0.3	8.3
Parts of electrical appliances	-0.4	6.7	1.2	0.1	-8.6	-11.2	-4.7	1.0	-3.0	2.3	3.6	13.7
Chemicals	-12.5	-10.0	-5.7	-13.5	-21.6	-14.0	-13.0	2.5	-9.0	21.0	-2.9	6.0
Capital goods	-3.5	-1.5	-2.1	-11.5	1.9	-0.5	-10.6	2.2	1.5	-3.6	9.4	26.7
Telecommunication equipment	-0.7	10.4	-12.5	3.5	-2.3	10.5	3.1	-7.3	-7.4	-2.8	-11.8	3.3
Transformers, generators, motors, and accumulators	-1.0	-3.5	-12.8	-10.4	23.5	20.0	-5.1	10.4	-8.6	9.1	30.6	2.3
Power-generating machinery and parts	-0.6	-30.5	48.3	-16.3	-0.5	20.7	-28.2	92.5	110.3	21.5	208.5	0.7
Other machinery and mechanical appliances & parts	-8.3	-8.7	-11.1	-8.3	-4.7	-4.7	-3.8	-1.0	-7.4	3.1	1.4	9.9
Measuring, checking, and precision instruments	-2.3	-1.8	-3.2	-1.5	-2.5	-8.6	-1.8	-2.9	-5.2	8.6	-10.6	1.6
Aircrafts	2.0	-2.7	452.8	-59.6	30.7	8.5	-54.0	9.4	-4.4	-62.2	1,376.2	1.3
Ships' derricks / cranes / floating structures	-20.4	42.9	9.3	-82.9	-27.5	-52.8	-80.0	30.9	150.9	-23.8	-63.3	0.3
Other Imports	1.1	23.2	-16.3	-14.6	13.7	-15.0	17.0	0.6	-21.5	7.5	27.3	8.7
Non-monetary gold (excl. articles of goldsmiths)	9.4	100.1	-41.7	-28.6	44.8	-51.3	15.3	-28.7	-62.4	-20.5	99.1	2.3
Automotive	-4.2	-6.3	-5.0	-1.0	-4.2	-1.7	15.9	10.8	13.2	15.3	3.9	5.0
Total Imports (Customs basis)	-11.0	-6.6	-9.4	-15.3	-12.6	-12.0	-8.4	-1.2	-7.2	-1.5	5.6	100.0
Imports, f.o.b. (BOP basis)	-10.6	-6.7	-9.3	-13.6	-12.5	-14.7	-7.8	-2.4	-8.5	-0.1	1.7	92.2

Source: BOT

Term of trade improved from the same period last year, as export price increased by 0.8 percent, while import price decreased by 1.0 percent. Thus, the term of trade improved by 1.8 percent to 114.1 in the third quarter of 2016, compared with 112.1 in the same quarter of last year.



Trade balance recorded a surplus. The trade balance in the third quarter of 2016 recorded a surplus of 8.97 billion US dollars (equivalent to 312.5 billion baht), compared with a surplus of 8.31 billion US dollars (equivalent to 293.3 billion baht) in the previous quarter, and a surplus of 7.6 billion US dollars (equivalent to 269.1 billion baht) in the same period last year.

□ Production Side:

Agricultural sector grew for the first time in eight quarters, due to an increase in the production of major agricultural products after drought condition eased, while the agricultural price continued to rise. In the third quarter, agricultural production increased by 0.9 percent, improving from a 1.2-percent contraction in the previous quarter. This was in association with a growth of major agricultural productions expanded, namely cassava, oil palm, livestock, and fishery, attributed by (i) a 137.0-percent increase in cassava production, substituted for maize production which led to a greater cassava production yield; (ii) a 5.2-percent increase in oil palm production, caused by a recovery from drought; and (iii) a 5.6 percent increase in livestock production following an increase in higher consumption in both domestic and foreign markets; and (iv) a 3.4-percent increase in fishery production, owing to higher volume of white shrimp production following a recovery from Early Mortality Syndrome (EMS). However, other agricultural productions dropped, including paddy, maize, rubber, and fruit. **Agricultural Price Index** increased by 13.1 percent, improving from a 4.9 percent growth in the previous quarter. Price of major products which increased are as follow; (i) a 9.1-percent increase in rubber ribbed sheet No.3 price following a contraction of its production, as well as continual growth of demand from vehicle wheel industries; (ii) a 74.7-percent increase in oil palm price following an effect from a drought, lowering production in Indonesia and Malaysia, while domestic demand went higher; (iii) an increase in the prices of pork and egg (1.6 percent and 8.4 percent, respectively), following a higher domestic demand; and (iv) an 2.4-percent increase in white shrimp price following higher price in global market as the main exporters including China, Vietnam and India were affected by an epidemic, consequently leading to a lower production and higher price. However, price of paddy (with 15 percent moisture content) increased by 6.9 percent, while jasmine rice dropped by 16.8 percent. **The increases of major agricultural prices led to a 12.5-percent rise in farm income** for the second quarter.

Term of trade improved, compared with the same period last year.

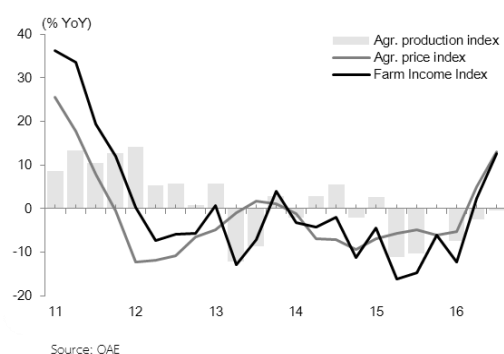
Trade balance recorded a surplus.

Agricultural sector grew for the first time in eight quarters. Meanwhile, industrial sector, wholesale and retail trade sector as well as construction sector expanded. Hotel and restaurants sector accelerated.

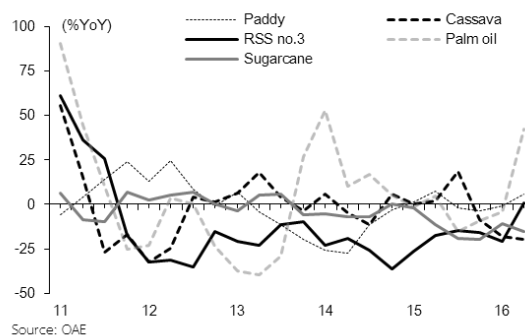
Agricultural sector grew by 0.9 percent following an increase of oil palm, cassava, and fishery production. Meanwhile, agricultural price increased by 13.1 percent leading to higher farm income which rose by 12.5 percent.



Farm income increased by 12.5 owing to an expansion in agricultural prices



The prices of paddy, rubber and oil palm increased, on the other hand cassava and sugarcane decreased.

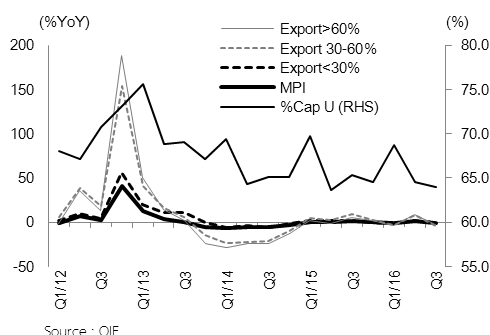


Industrial sector expanded, owing to the growth of export-oriented industries and domestic-oriented industries, while the export-oriented industries with 30-60 percent export share to total production decreased. In the third quarter, industrial sector increased by 0.9 percent, decelerating from a 2.1 -percent growth in the second quarter. Manufacturing Production Index (MPI) of export-oriented industries (with export share of more than 60 percent to total production) grew by 1.5 percent which was in line with an increase of export volume. However, the production of industries with 30-60 percent export share to total production decreased by 4.1 percent, due to contraction in car production, while the domestic-oriented industries (with export share of less than 30 percent to total production) grew by 0.5 percent in line with an increase in household expenditure. In details, the production with favorable growth includes (i) machinery production which increased by 38.4 percent, especially air conditioner due to a higher demand from domestic and Vietnamese market; (ii) a growth in electronic tube and parts production increased by 6.4 percent, owing to foreign demand from Hong Kong, China and Singapore, and particularly integrated circuit (IC) which increased to serve high technology goods production such as telecommunication, vehicle, and household electronic appliance goods; (iii) motorcycle production which increased by 13.9 percent due to domestic demand, especially demand from farmers who possessed higher incomes owing to higher price of agricultural products such as paddy, rubber, oil palm, etc. The Capacity Utilization Rate (CAPU) stood at 64.01 percent, decelerating from 65.30 percent in the same period last year.

Industries with positive growth include machinery and parts (23.6 percent), transportation device (13.9 percent), radio and television parts (6.2 percent), and petroleum and coal (3.9 percent), non-metal products (3.5 percent), food and beverage (1.1 percent), office machinery (1.1 percent), electronic device (0.9 percent), and furniture (0.2 percent).

Industries which experienced contraction include clothing (16.2 percent), tobacco (13.9 percent), leather products (11.1 percent), vehicle and parts (6.8 percent), rubber and plastic products (5.8 percent), textiles (4.6 percent), and chemical products (1.6 percent).

Manufacturing Production Index decreased by 0.5 and the capacity utilization rate averaged at 64.0 percent.



Industrial sector increased by 0.9 percent due to growth in export-oriented industries and domestic-oriented industries.

Construction sector continued to expand with the high growth in public construction, whereas private construction contracted. In this third quarter, construction sector expanded by 5.0 percent, compared with a 7.8-percent growth in the previous quarter. In details, public construction rose by 10.7 percent, (government construction rose by 5.0 percent, and state enterprises construction increased by 25.3 percent), compared with a 17.7-percent growth in the previous quarter. Meanwhile, the private construction declined by 0.2 percent. The construction of office and commercial building, as well as housing building grew, while construction of factory remained contracted. This was in line with the contraction of sales of cement, concrete and tile products, which decreased by 2.5, 5.7, and 1.0 percent, respectively. However, permitted construction areas improved. Price of construction materials continued to contract by 3.0 percent, owing to a contraction of major price indices, especially wood, cement, concrete, as well as steel product prices. Meanwhile, sanitary products remained unchanged.

Real estate sector decelerated due to an end of real estate stimulation measure launched by the government. In this third quarter, real estate sector expanded by 1.8 percent, compared with a 2.8-percent expansion in the previous quarter. **On the demand side**, total personal housing credit increased by 7.8 percent, while new personal housing credit, as well as fee of housing right and legal execution dropped by 5.1 and 5.1 percent, respectively. Regarding prices, housing and land prices increased, particularly for condominium which increased by 8.2 percent. Additionally, price of land and townhouse with land and detached house with land increased by, 7.9, 1.9 and 1.4 percent, respectively.

Hotel and restaurants sector accelerated due to strong growth in both tourist number and revenue. In the third quarter, hotel and restaurants sector expanded by 15.9 percent, accelerating from a 12.7-percent growth in the previous quarter. Number of inbound tourists stood at 8.23 million persons, or a 13.1-percent growth owing to high number from most regions, including Northeast Asia (70.5-percent share) expanded by 13.8 percent, Europe (14.6-percent share) expanded by 12.1 percent, especially from Russia that continually grew for three consecutive quarters. The highest numbers of inbound tourists were from China, Malaysia, Japan, Lao PDR, and Korea, respectively. The tourism revenue amounted to 441.71 billion baht, increasing by 17.1 percent, accelerating from previous quarter. The average occupancy rate was at 60.4 percent, compared with 58.5 percent in the same period last year.

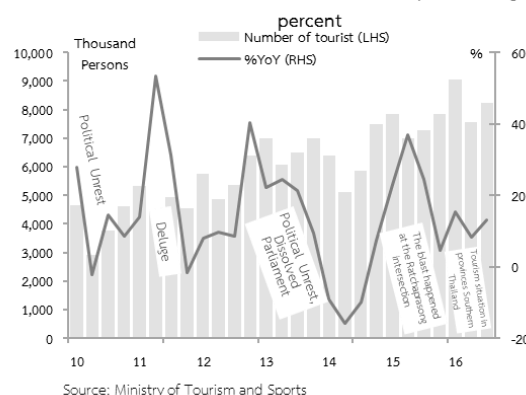
Construction sector expanded by 5.0 percent due to a 10.7 percent high expansion in public construction.

Meanwhile, private construction declined by 0.2 percent.

Real estate sector expanded by 1.8 percent. Housing and land prices increased, particularly for condominium and land.

Hotel and restaurants sector accelerated due to strong growth in both tourist number and revenue.

Number of inbound tourists stood at 8.23 million persons or grew by 13.1



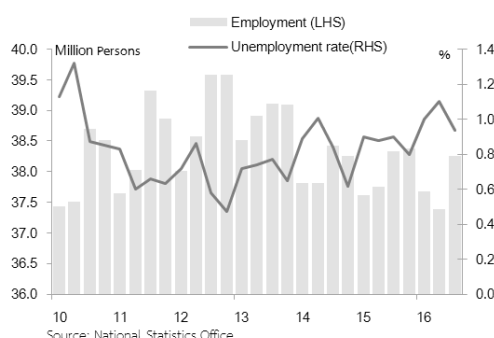
Wholesale and retail trade sector continued to expand at a favorable pace due to an increase of household expenditure and an accelerated growth of inbound tourists. In this third quarter, the sector expanded by 5.5 percent, compared with a 5.5-percent expansion in the previous quarter. **For wholesale trade**, wholesale index improved in sales of intermediate goods, durable goods (such as electric and electronic products, etc), as well as non-durable goods (such as food, pharmaceutical and medical goods, incense, and cosmetic products). **For retail trade**, the retail trade index grew, including department stores and retail shops (such as food and beverage, tobacco, etc), as well as non-durable goods retailing. Meanwhile, some durable goods, vehicle trading, vehicle maintenance service and fuel contracted.

Employment dropped following a decrease in agricultural employment, while non-agricultural employment continued to grow and unemployment rate remained low. In this third quarter, employment dropped by 0.2 percent, improving from 0.9-percent contraction in the previous quarter. Agricultural employment contracted by 2.3 percent, improving from a 6.2-percent drop in the previous quarter, owing to an increase of workforce for harvesting season. However, non-agricultural employment rose by 0.9 percent, compared with a 1.4-percent increase in the previous quarter following the increase in employment in health and social service, hotel and restaurant, as well as wholesale and retail trade sector and vehicle maintenance service by 7.1, 6.1, and 3.9 percent, respectively. Meanwhile, industrial employment contracted by 1.9 percent following an employment contraction in rubber and plastic, furniture, and vehicle industries. Unemployed workers in this quarter was at 363,000 persons, equal to 0.9 percent unemployed worker.

Wholesale and retail trade sector expanded by 5.5 percent following a continued increase in domestic expenditure and accelerated growth of inbound tourist number.

Employment dropped by 0.2 percent following a decline in agricultural employment. However, non-agricultural employment increased. Meanwhile, unemployment rate remained low at 0.9 percent

Employment declined by 0.2 percent following a decline in agricultural employment. Unemployment rate was low at 0.9 percent.



Employed Persons by Industry

%YOY	Shared Q3/16	2015					2016					
		Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul.	Aug.	Sep.
Employed	100.0	-0.2	-0.5	-0.2	-0.2	0.3	0.2	-0.9	-0.2	0.8	-0.1	-1.2
- Agricultural	33.2	-3.6	-4.4	-5.8	-3.8	-0.7	-2.7	-6.2	-2.3	2.5	-4.4	-4.7
- Non-Agricultural	66.8	1.6	1.3	2.6	1.7	0.8	1.5	1.4	0.9	-0.03	2.3	0.6
Manufacturing	16.3	0.9	1.2	3.0	0.6	-1.0	-2.2	-1.7	-1.9	-5.6	-0.3	0.6
Construction	5.7	0.6	1.9	2.5	2.4	-4.9	5.8	5.4	0.1	-1.3	5.6	-4.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	16.6	-0.1	-2.6	2.0	-0.2	0.3	2.9	1.4	3.9	4.1	5.1	1.7
Accommodation and food service activities	7.2	3.0	2.3	3.6	1.9	4.0	2.9	4.0	6.1	5.3	12.7	1.0
Unemployment (Hundred thousand persons)		3.4	3.6	3.4	3.6	3.1	3.7	4.1	3.6	3.9	3.6	3.3
Unemployment Rate (%)		0.9	0.9	0.9	0.9	0.8	1.0	1.1	0.9	1.0	0.9	0.9

Source: National Statistics Office



❑ Fiscal Conditions :

On the revenue side, in the last quarter of the fiscal year 2016 (July - September 2016) the net government revenue collection stood at 597.7 billion baht, higher than the same quarter of last year by 2.4 percent. The key contributing components included (i) an increase in revenue from corporate income tax by 6.3 percent, which implied private sector earnings improved (ii) an increase in revenue from excise tax by 6.3 percent as a result of the increase in tax rate on diesel and petro fuel from 5.35 to 5.65 baht/liter and from 6.00 to 6.30 baht/liter respectively and (iii) the revenue of 56.3 billion baht from the 4G 900 and 1800 MHz spectrum license auction. Nevertheless, the revenue from state-owned enterprises (SOEs) was significantly lower than the same period of last year due to the revenue management's measure formulated by MOF last fiscal year in order to limit the excess liquidity of SOEs.

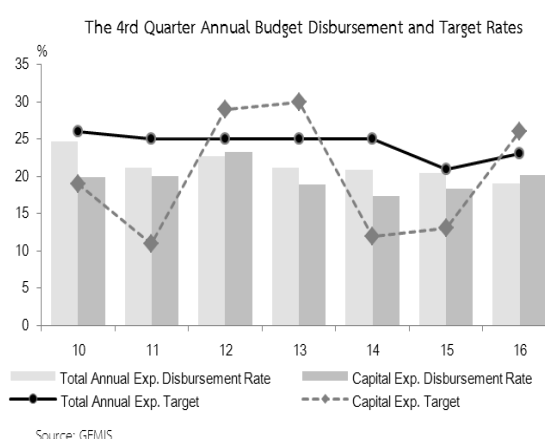
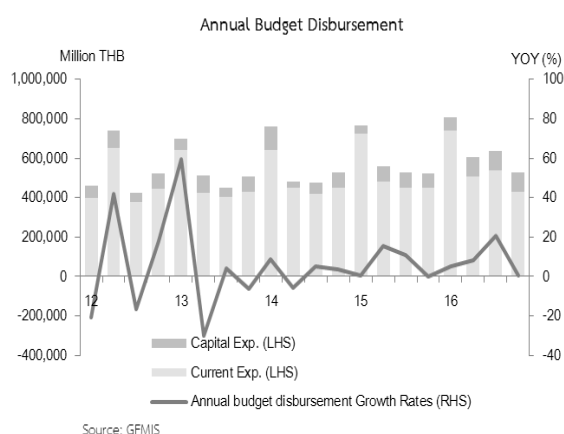
For **the whole fiscal year 2016**, the net government revenue collection stood at 2.4 trillion baht, increased by 8.1 percent from last year and higher than the projection by 0.3 percentage-point.

Government Revenue

Fiscal Year	2014	2015					2016				
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Net Government Revenue	2,075.3	2,213.4	507.5	469.9	652.5	583.5	2,393.5	585.9	492.6	717.3	597.7
Compared with the target (%)	-8.8	-4.8	1.1	-0.7	-9.6	-7.1	0.3	13.4	-0.6	2.1	-10.9
YOY (%)	-4.0	6.7	0.8	7.5	7.2	11.0	8.1	15.5	4.8	9.9	2.4

Source: Ministry of Finance

On the expenditure side, the total budget disbursement in the last quarter of the fiscal year 2016 was at 686.3 billion baht, increased by 1.9 percent from the same period last year. Classified by its source of funds, the government disbursements are as follow: **(i) the 2016 annual budget disbursement in this quarter** was at 528.3 billion baht, increased by 0.7 percent from the same period last year, or equivalent to 19.0 percent of the 2016 annual budget, which were lower than the target of 23.0 percent and the same period last year rates of 20.4 percent. In details, the current expenditure was disbursed at 428.2 billion baht, declined by 4.5 percent from the same period last year (equivalent to 18.8 percent of current budget, which were lower than the rate of the same period last year of 20.8 percent). Meanwhile, the capital expenditure was disbursed at 100.1 billion baht, increased by 30.9 percent compared with the same period last year. (equivalent to 20.1 percent of annual capital budget, which fell short of the 26.0-percent target, but were higher than the same period last year rate of 18.4 percent);



The net government revenue collection increased by 2.4 percent due to increase in revenue collection from corporate income tax and excise tax

The current expenditure disbursement was lower than the same period of last year by 4.5 percent due to the expedited disbursement measures earlier period.

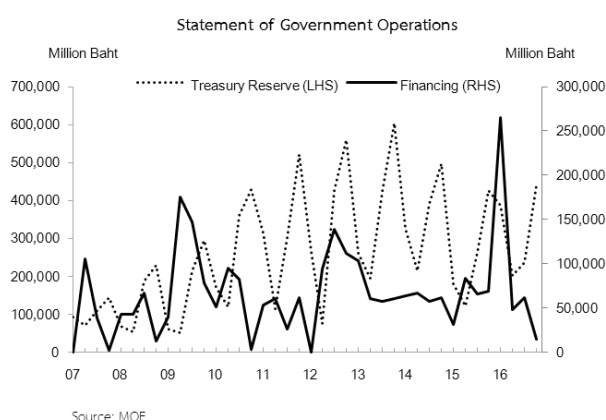
The capital budget disbursement increased by 30.9 percent comparing with the same period of last year due to the increase of budget size, albeit disbursement rate was still lower than the target.

(ii) the carry-over budget disbursement was at 30.4 billion baht, decreased by 34.0 percent from the same period last year (equivalent to 9.9 percent of the overall carry-over budget, which were lower than the rate of the same period last year of 13.1 percent); (iii) state-owned enterprises' capital expenditure budget (include PTT) is expected to be disbursed in this quarter by 124.9 billion baht (the disbursement of capital budget of 2.2 billion baht which was already counted in (i)) increasing by 47.9 percent, compared with the same period last year. The main contributors were State Railway of Thailand, PTT Public Company Limited, Airports of Thailand Public Company Limited (AOT), Electricity Generating Authority of Thailand, Metropolitan Electricity Authority, and Provincial Waterworks Authority and; (iv) the off-budget loans were disbursed at 4.9 billion baht, which included the Economic Stimulus Package phase II: Loans for water resource management and road transport system projects of 3.1 billion baht, Thai Khem Kaeng stimulus package phase II (TKK) of 205.6 million baht, the Development Policy Loan (DPL) of 1.4 billion baht and special budget reallocating from TKK of 176.6 million baht.

For the whole fiscal year 2016, (i) the annual budget disbursement amounted to 2.6 trillion baht, increased by 8.4 percent from the previous year (the disbursement rate was at 92.9 percent, fell short from the target of 96.0 percent, but were higher than the same period last year rate of 92.4 percent). The capital budget was disbursed at 364.7 billion baht, increased by 34.3 percent from last year (equivalent to 73.3 percent of total capital budget, fell short from the target of 87.0 percent, but were higher than the same period of last year rate of 65.3 percent); (ii) the carry-over budget disbursement amounted to 228.5 billion baht, (equivalent to 74.1 percent of total carry-over budget); (iii) State-owned enterprises' capital budget disbursement amounted to 321.1 billion baht¹; and (iv) the off-budget loans disbursement amounted to 50.2 billion baht.

Fiscal Balance: in the last quarter of fiscal year 2016, the budgetary balance recorded a surplus of 44.2 billion baht, which were higher than the same period of last year of 43.9 billion baht. The non-budgetary balance also recorded a surplus of 146.9 billion baht. In the meantime, the government conducted a cash balance management through borrowing total of 14.8 billion baht. Therefore, the cash balance after debt financing recorded a net surplus of 205.9 billion baht, which were higher than the same period last year by 26.8 percent. Therefore, the treasury reserve amounted to 441.3 billion baht, which were higher than the same period last year by 3.5 percent.

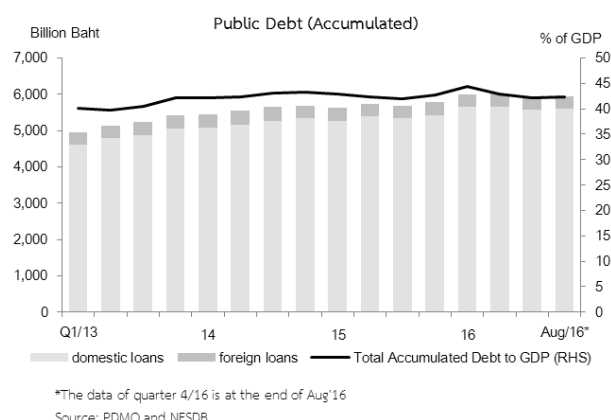
At the end of the of fiscal year 2016, the treasury reserve stood at 441.3 billion baht



¹ This amount included the disbursement of fiscal year 2015, from October-December 2015.

Public Debt: at the end of August, it was accumulated at 5.9 trillion baht (equivalent to 42.4 percent of GDP). The public debt was comprised of domestic loans of 5.6 trillion baht (39.9 percent of GDP) and foreign loans of 346.2 billion baht (2.5 percent of GDP).

The components of public debt consisted of direct government debt of 4.4 trillion baht (74.3 percent of total public debt), state enterprises debt (non-financial institution) of 995.9 billion baht (16.7 percent), and special financial institutions debt (guaranteed by the government) of 507.6 billion baht (8.5 percent).



The Public Debt was at 42.4 percent of GDP. This level of public debt remains under the fiscal prudential framework.

Financial Conditions :

The policy rate was kept unchanged at 1.50 percent per annum throughout the third quarter of 2016. In both meetings on 3rd August and 14th September 2016, the Monetary Policy Committee decided to remain the policy rate at 1.50 percent per annum. These decisions were based on the assessment that current policy rate was at an appropriate level for supporting the economic recovery, being reflected in low real interest rates. There was also the need to preserve the policy space as a cushion for any potential risks. The decisions are in line with FED and ECB who held the same stance of their monetary policies as in the previous quarter. However, BOE cut its policy rate by 25 basis points and extend the quantitative easing, while BOJ changed the monetary policy framework to focus on maintaining the government bond yield to be around zero percent. Furthermore, many key countries including Australia, New Zealand, Russia and Taiwan decreased their policy rates by 0.125 – 0.50 percent. In addition, in August 2016, Indonesia introduced a new policy rate known as the BI 7-Day (Reverse) Repo Rate in order to replace the former reference rate – BI Rate. This decision is based on the consideration that the BI 7-Day (Reverse) Rate is better than the BI Rate at accelerating the transmission of the policy rate to the money market and real sector. Besides, Indonesia cut its policy rate by 25 basis points.

In October 2016, India lowered its policy rate by 25 basis points to 6.50 percent per annum, the lowest level in 5 years, in order to stimulate its economic growth hindered by the slow global economic recovery. Likewise, Indonesia decreased its policy rate by 25 basis points to 4.75 percent per annum, which was a reduction for the second consecutive month so as to support its economic growth in the midst of a reduction of an inflation rate.

The policy rate remained stable at 1.50 percent per annum, while many major countries continued to pursue accommodative monetary measures.

Policy Interest Rate

(%) At the end of period	2015					2016						
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jun	Jul	Sep	Oct
USA	0.25-0.50	0-0.25	0-0.25	0-0.25	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50
EU	0.05	0.05	0.05	0.05	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00
England	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.25	0.50	0.25	0.25	0.25
Japan	0.1	0.1	0.1	0.1	0.1	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Australia	2.00	2.25	2.00	2.00	2.00	2.00	1.75	1.50	1.75	1.75	1.50	1.50
New Zealand	2.50	3.50	3.25	2.75	2.50	2.25	2.25	2.00	2.25	2.25	2.00	2.00
Russia	11.00	14.00	11.50	11.00	11.00	11.00	10.50	10.00	10.50	10.50	10.00	10.00
China	4.35	5.35	4.85	4.60	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Taiwan	1.625	1.875	1.875	1.75	1.625	1.50	1.50	1.375	1.375	1.375	1.375	1.375
Korea, South	1.50	1.75	1.50	1.50	1.50	1.50	1.25	1.25	1.25	1.25	1.25	1.25
India	6.75	7.5	7.25	6.75	6.75	6.75	6.50	6.50	6.50	6.50	6.50	6.25
Indonesia (BI Rate)	7.50	7.50	7.50	7.50	7.50	6.75	6.50	6.50	-	-	-	-
Indonesia* (BI 7-Day RR Rate)	-	-	-	-	-	-	5.25	5.00	5.25	5.25	5.00	4.75
Philippines	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
Thailand	1.50	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

Source: Collected by NESDB

Remark: On 19 August 2016, Indonesia introduced a new policy rate known as the BI 7-Day (Reverse) Repo Rate in order to replace the former reference rate – BI Rate. The new policy rate was retroactive since April 2016.

Major commercial banks and retail banks held their deposit and lending rates. During the third quarter of 2016, four major commercial banks kept 12-month deposit rate and MLR at 1.38 and 6.27 percent per annum, respectively. Similarly, the retail banks maintained its 12-month deposit rate and MLR stable at 1.70 and 8.52 percent per annum, respectively. On the contrary, medium-sized commercial banks and Specialized Financial Institutions (SFIs) lowered their 12-month deposit rates by 0.03 percent to 1.24 and 1.52 percent per annum, respectively. However, they held their MLR at the same level as in the previous quarter at 6.68 and 6.63 percent per annum, respectively.

In October 2016, one of major commercial banks raised only its 12-month deposit rate, therefore, the average 12-month deposit rates of major commercial banks increased by 0.02 percent to 1.40 percent per annum. However, the average MLR of major commercial banks was still held at 6.27 percent per annum. Moreover, medium-sized commercial banks, retail banks and SFIs kept both deposit and lending rates at the same level as in the previous quarter.

Real deposit and lending rates were kept stable from the previous quarter. Real deposit and lending rates held at 1.00 and 5.89 percent per annum; as a result of the maintaining of both deposit rate and MLR of major commercial banks and the same level of the headline inflation rate at the end of the second and third quarter.

In October 2016, the real deposit rate was increased to 1.06 percent per annum in accordance with the increase in deposit rate and the reduction in the headline inflation rate. Likewise, the real MLR was raised to 5.93 percent per annum following the reduction in the headline inflation.

Major commercial banks and retail bank kept their deposit rates and MLR unchanged while medium-sized commercial banks and SFIs decreased only their deposit rates.

Real deposit and lending rates remain unchanged from the previous quarter.

Deposit and Lending Rates of Commercial Banks

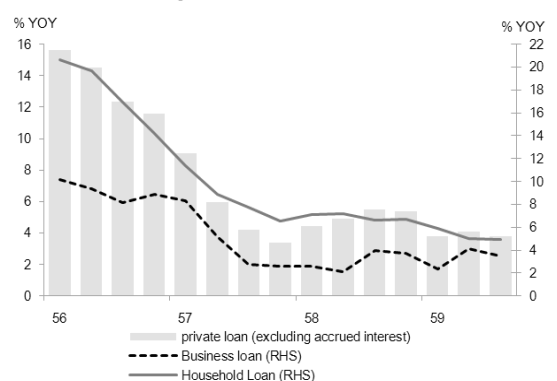
At the end of period	2015					2016							Interest rate at the end of Oct, 2016
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jun	Jul	Sep	Oct	
Policy Interest Rate	-0.50	-0.25	-0.25										1.50
The commercial banks' 12-month deposit rates change													
Four Major Banks	-0.33	-0.20	-0.03	-0.04	-0.06		-0.02					0.02	1.40
Medium-sizes Commercial Banks	-0.43	-0.27	-0.04	-0.03	-0.09	-0.03	-0.14	-0.03		-0.03			1.24
Retail Banks	-0.65	-0.30	-0.20	-0.10	-0.05	-0.65	0.10						1.70
Specialized Financial Institutions (SFIs)	-0.31	-0.16	-0.15				-0.18	-0.03			-0.03		1.52
The commercial banks' Minimum Loan Rates change													
Four Major Banks	-0.23	-0.12	-0.11				-0.25						6.27
Medium Commercial Banks	-0.24	-0.13	-0.11				-0.25						6.68
Retail Banks	-0.10		-0.10				-0.10						8.52
Specialized Financial Institutions (SFIs)	-0.14	-0.09	-0.05				-0.15						6.63

Source: CEIC

During the third quarter of 2016, **Deposits including Bill of Exchange (B/E)** of commercial banks grew by 2.3 percent, decelerating from 2.8 percent growth in the previous quarter. Similarly, **private loan (excluding accrued interest)** of commercial banks increased by 3.8 percent, slowing down from 4.1 percent in the previous quarter, as a result of the slowdown in business loan, particularly in manufacturing loan. Household loan, however, expanded at the same pace as prior quarter, supported by the improvement of loans for purchase or hire purchase cars and motor-cycle. Meanwhile, growth of loan for dwelling slightly declined because of the end of government stimulus measure in real estate sector. Loan quality during the third quarter deteriorated, due to the fact that Non-Performing Loan to total outstanding loan ratio continually increased from 2.72 percent in the second quarter to 2.89 percent in the third quarter. Likewise, Special Mention Loan to total outstanding loan ratio rose from 2.17 percent to 2.38 percent in this quarter.

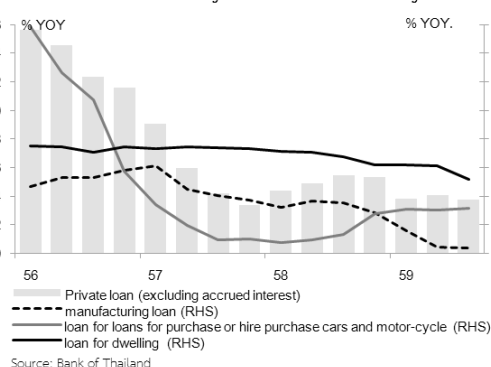
Deposits including Bill of Exchange (B/E) and private loans of commercial banks decelerated. Business loan decelerated where as household loan expanded at the same pace as previous quarter. Loan quality deteriorated.

Private loan (excluding accrued interest) of commercial banks decelerated



Source: Bank of Thailand

Private loan slowed down from the deceleration of manufacturing loan and loan for dwelling

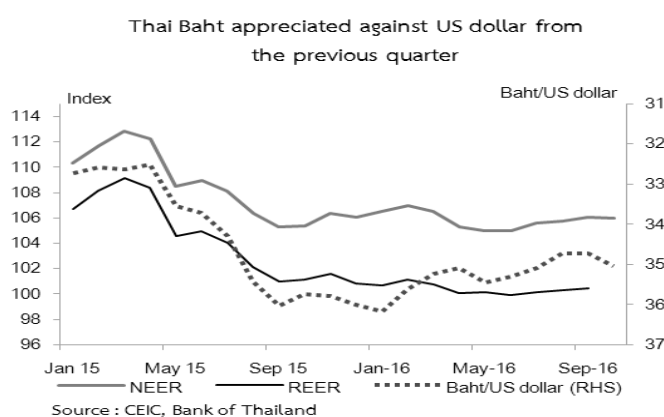


Source: Bank of Thailand

In the third quarter of 2016, Thai Baht against US dollar appreciated as a result of an anticipation of accommodative monetary policy conducted in major industrial countries.

The average exchange rate in the third quarter was at 34.83 baht per US dollar, appreciating by 1.3 percent from the previous quarter. This was consistent with regional currencies. The appreciation of Thai baht was mainly due to (i) capital flow into stock and bond markets in emerging countries in anticipation of FED's delaying the policy rate hike, and Japan's and UK's easing additional monetary policy; (ii) the constitutional referendum result, as well as Thai economic performance in Q2/2559 appeared to be better-than-expected. Nevertheless, Nominal Effective Exchange Rate (NEER)² depreciated by 0.7 percent from previous quarter, influenced by the appreciation of Japanese Yen. In contrast, NEER appreciated by 0.7 percent compared with the same period of last year. Likewise, the Real Effective Exchange Rate (REER) depreciated by 0.3 percent from the previous quarter, but appreciated by 2.0 percent compared with the same period of last year.

In October 2016, Thai Baht was at 35.05 baht per US dollar, depreciating by 0.9 percent from September. At the beginning of the month, Thai Baht depreciated after investors anticipated that FED will probably increase policy rate in this December meetings. However, in the mid-October, Thai Baht started to appreciate against US dollars because US economy performance was lower-than-expected. Thoroughly, Thai baht during 1st – 18th of November continued to fluctuate in a depreciating trend with an average of 35.17 Baht per US dollar.



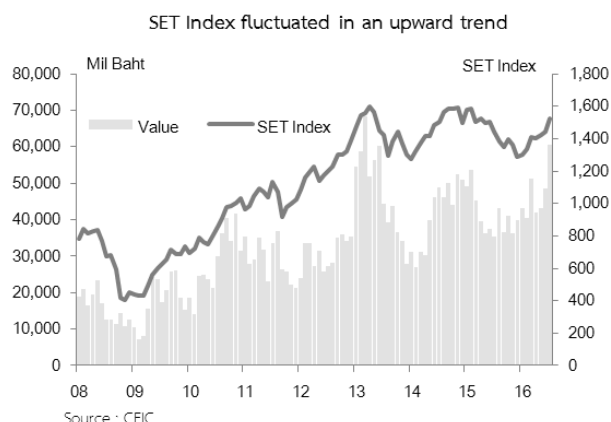
SET Index fluctuated in an upward trend as a result of foreign capital inflow. During the first two months of this quarter, SET Index moved in the bullish trend, fueled by (i) FOMC's Report in July did not show the signal to raise policy rate; (ii) increased investor's confidence after Thai constitutional referendum result was released; and (iii) Thai economic performance was better-than-expected. However, in early September, SET Index sharply dropped after Bank of England did not expand their monetary policy and Fed signaled increasing the policy rate in this year. However, in mid-September, the market expected that Fed would not raise their policy rate in the September meetings. This caused SET Index to recover. At the end of the third quarter of 2016, SET Index closed at 1,483.2 points; representing a 2.6 percent growth from the previous quarter. An average trading volume slightly increased from 44.9 billion baht per day in previous quarter to 58.1 billion baht per day in this quarter. Foreign investors registered a net buy of 96.0 billion baht, compared with a net buy of 17.5 billion baht in the previous quarter.

In October 2016, SET Index closed at 1,495.7 points, slightly increased by 0.9 percent from the previous month. Nevertheless, the expectation that Fed will increase policy rate later in this year caused foreign investors to register a net sell of 18.1 billion baht.

Thai Baht against US dollar appreciated by 1.3 percent from the previous quarter, as a result of an anticipation of monetary policy conducted in major countries.

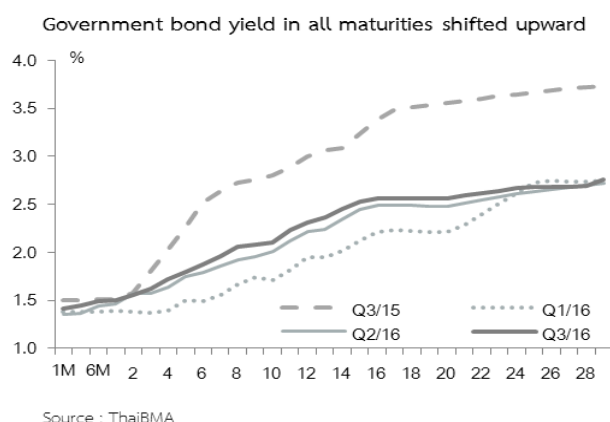
SET Index fluctuated in an upward trend as a result of foreign capital inflow.

² 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.



The government bond yields shifted upward in almost all maturities, comparing with the second quarter of 2016. Thai government bond yields in almost all maturities shifted upward which was induced by (i) the anticipation of the new issuance of long-term government bond amounted to 86,000 million. Investors, therefore, delayed their investment; (ii) the expectation that FED will increase its policy rate in September, which caused foreign investors to sell bonds in emerging markets. However, after FED decided to hold the policy rate in September, foreign investors' demand for bonds in emerging market bounced. As a result, foreign investors recorded a net buy position of 109.1 billion baht, slightly dropped from a net buy position of 132.2 billion baht in prior quarter. In addition, an average daily outright trading transaction slightly decreased from an average of 98.2 billion baht in the second quarter to 89.8 billion baht in this quarter.

In October 2016, Thai government bond yields in all maturities increased owing to the uncertainty of internal factor as well as the upward shift of US-government bond yield. Foreign investors, however, posted a net sell position of 11.3 billion baht, and an average daily outright trading transaction was at 89.4 billion baht.



Capital and financial account recorded an outflow position. In the third quarter of 2016, although foreign investors continued to invest in Thai securities, capital and financial account registered a net outflow of 6.8 billion US dollars, compared with an outflow of 1.8 billion US dollars in the previous quarter. This was mainly due to (i) Foreign Investment Funds (FIF) increased their deposits abroad; (ii) Thai investors expanded their off-shore direct investments and portfolio investment; and (iii) loan repayment of associated company in retail business.

The government bond yields shifted upward in almost all maturities.

Capital and financial account continually recorded an outflow position, due to the increasing of deposit abroad of Foreign Investment Funds and the expansion of off-shore direct investment of Thai investors.

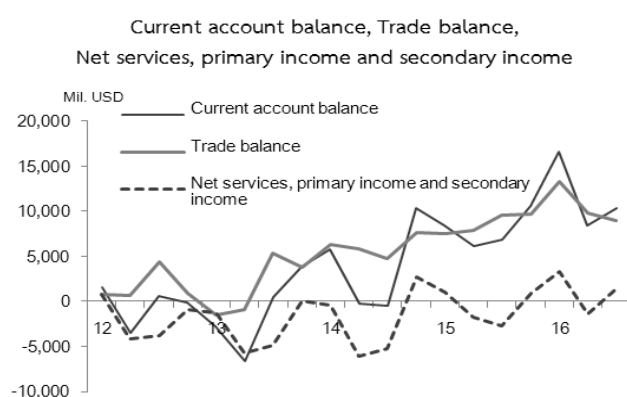
Capital Flow

(Billion USD)	2016								
	Year	H1	H2	Q1	Q2	Q3	Jun	Jul	Sep
Categorized by economic sectors									
Government	-1.7	-0.9	-0.8	-0.7	1.3	0.9	0.1	0.6	0.2
Monetary Authorities	-1.4	-0.8	-0.6	2.3	-0.1	0.8	-0.2	0.7	0.4
Bank	-12.8	-3.6	-9.2	-0.8	3.1	-0.2	-1.0	-0.3	1.1
Others	-1.2	2.7	-3.9	-1.4	-6.1	-8.3	-1.7	-1.9	-4.8
Capital and financial account	-17.1	-2.6	-14.5	-0.3	-1.8	-6.8	-2.7	-0.9	-3.2
Categorized by financial transactions									
- Direct Investment	4.0	4.4	-0.4	-2.4	-1.9	-4.6	-1.4	-0.6	-2.6
Thai investor	-5.0	-1.5	-3.5	-4.4	-4.1	-1.7	-0.5	-0.6	-0.6
Foreign investor	9.0	5.9	3.1	2.0	2.2	-2.9	-0.9	0	-2.0
- Portfolio Investments	-16.5	-7.9	-8.6	1.8	1.5	2.0	-0.2	1.6	0.6
Thai investor	-3.8	-3.4	-0.4	-0.8	1.3	-3.2	-1.6	-0.8	-0.8
Foreign investor	-12.7	-4.5	-8.2	2.6	0.2	5.2	1.4	2.4	1.4
- Loans	-5.5	-1.2	-4.0	-0.6	3.7	-0.7	-0.1	-0.5	-0.1
- Others	0.6	2.1	-1.5	0.9	-5.1	-3.5	-0.7	-1.8	-1.0
Capital and financial account	-17.1	-2.6	-14.5	-0.3	-1.8	-6.8	-2.7	-0.9	-3.2

Source: BOT

Current account registered a surplus in the third quarter of 2016, with a surplus of 10.3 billion US dollars (358.6 billion baht), compared with a surplus of 7.97 billion US dollars (281.1 billion baht) in the previous quarter and a surplus of 6.2 billion US dollars (218.7 billion baht) in the same period last year. This was a result of a trade surplus of 8.97 billion US dollars and a surplus in services, primary and secondary income of 1.3 billion US dollars.

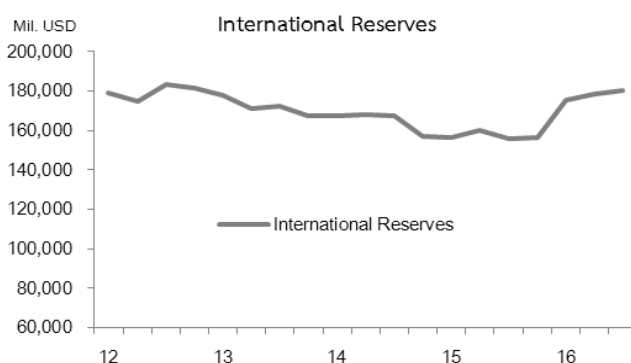
Current account registered a surplus.



Source: Bank of Thailand

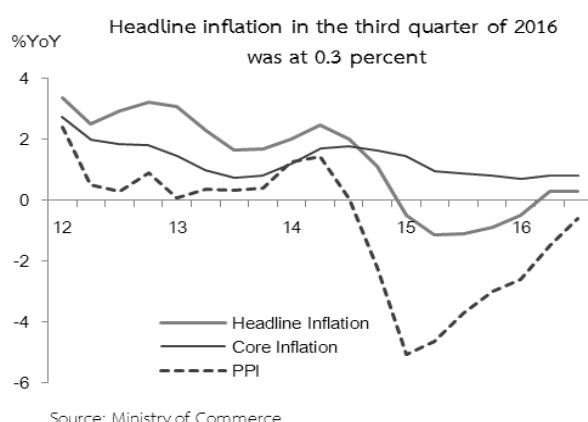
International reserve at the end of September 2016 stood at 180.5 billion US dollars (excluding net forward position of 20.2 billion US dollars), which was equal to 3.2 times of short-term foreign debt (at the end of September 2016) or 11.8 months of import value (the average of import value in the third quarter of 2016).

International reserve at the end of September 2016 stood at 180.5 billion US dollars.



Source: Bank of Thailand

Headline Inflation: In the third quarter of 2016, headline inflation was 0.3 percent, same as in the previous quarter. **Food-and-Beverage price index increased by 1.7 percent**, decelerating from 2.4 percent in the previous quarter due to a slowdown in prices of meats, fish and aquatic animals, vegetables and fruits, and eggs and dairy products. Meanwhile, **Non-Food and Beverage price index declined by 0.6 percent**, compared with 0.9 percent decline in the previous quarter due to a decline in energy price, which was a result of (i) the cut of Energy Adjustment Cost (FT) during May to August by 0.33 baht per unit and September to December by 0.33 baht per unit; and (ii) the domestic retail fuel price decreased, which contributed the 7.0-percent decline in energy price index, compared with a decrease of 9.0 percent in the previous quarter. The core inflation stood at 0.8 percent, same as 0.8 percent in the previous quarter.³



Producer Price Index (PPI): In the third quarter of 2016 declined by 0.6 percent, compared with a 1.5-percent decrease in the previous quarter, due to the fall in price of mining products and manufactured products. **The price of mining products** decreased by 9.4 percent, compared with a decline of 12.8 percent in the previous quarter, due to the fall in price of lignite, petroleum and natural gas. **The price of manufactured product** declined by 0.8 percent, compared with a decreased by 1.5 percent in the previous quarter, especially the decrease of petroleum products. Meanwhile, **the price of agriculture product** increased by 3.0 percent, accelerating from 1.6 percent in the previous quarter due to an increased in price of agricultural products, and fish and other fishery products.⁴

In the third quarter of 2016, headline inflation was 0.3 percent, same as in the previous quarter. Food-and-Beverage price index increased, but non-Food-and-Beverage price index declined.

Producer Price Index (PPI) declined by 0.6 percent due to fall in price of manufactured products and mining products, but price of agricultural product increased.

³ In October 2016, Headline inflation was 0.3 percent. Core inflation was 0.7 percent. In the first 10 months of 2016, Headline inflation was 0.1 percent. Core inflation was 0.7 percent.

⁴ In October 2016, Producer Price Index (PPI) declined by 0.5 percent. In the first 10 months of 2016, Producer Price Index (PPI) declined by 1.5 percent.

2. Crude Oil price in Q3 of 2016

The crude oil price in the global market declined for the ninth consecutive quarters. In the third quarter of 2016, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 44.69 USD per barrel, or declined by 9.5 percent compared with the same period last year, which was at 49.37 USD per barrel. This was a decline in all markets, especially Dubai and Oman oil price. The WTI crude oil price declined slightly. In the third quarter of 2016, crude oil price decreased by 0.1 percent (QoQ), compared with the previous quarter.

Key reasons for the decline in the global crude oil price include (i) an increase in OPEC production to 39.66 million barrels per day (higher than 38.76 million barrels per day in the same period last year). (ii) an increase in OECD (US, Canada, and others) inventory to 3,049 million barrels (higher than 2,934 million barrels in the same period last year); and (iii) world economic slowdown, causing the global demand increase slowly.

The crude oil price in the global market declined due to an increase in OPEC production and OECD inventory and the global demand increased slowly.

Crude oil price											
Year		USD per Barrel					(%YOY)				
		OMAN	DUBAI	BRENT	WTI	Average	OMAN	DUBAI	BRENT	WTI	Average
2015	H1	57.06	56.58	59.27	53.31	56.55	-45.8	-46.2	-45.5	-47.1	-46.1
	H2	45.29	45.16	47.95	44.38	45.70	-48.7	-48.6	-46.8	-47.6	-47.9
	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
2016	H1	37.25	37.17	41.03	39.04	38.62	-34.7	-34.3	-30.8	-26.8	-31.7
	Q1	31.20	31.30	35.09	32.46	32.51	-40.9	-39.8	-36.2	-33.3	-37.6
	Q2	43.30	43.03	46.96	45.61	44.73	-29.4	-29.6	-26.1	-21.3	-26.7
	Q3	43.66	43.10	46.99	45.01	44.69	-12.5	-13.3	-8.4	-3.4	-9.5
	Jan	27.44	26.67	31.91	31.73	29.44	-40.9	-41.6	-35.9	-33.0	-37.8
	Feb	30.03	29.19	33.55	30.61	30.85	-47.5	-47.9	-42.6	-39.8	-44.5
	Mar	36.14	38.03	39.80	35.05	37.26	-34.1	-30.1	-29.9	-26.5	-30.3
	Apr	39.17	38.75	43.21	40.98	40.53	-33.0	-33.6	-29.5	-25.1	-30.4
	May	44.30	44.23	47.74	47.01	45.82	-30.6	-30.2	-27.2	-20.8	-27.3
	Jun	46.41	46.11	49.93	48.85	47.83	-24.7	-25.1	-21.7	-18.3	-22.5
	Jul	43.19	42.41	46.51	45.00	44.28	-23.6	-24.7	-18.6	-12.6	-20.0
	Aug	43.94	43.60	47.21	44.85	44.90	-7.7	-8.4	-1.9	4.7	-3.5
	Sep	43.84	43.30	47.24	45.19	44.89	-3.7	-4.3	-2.7	-0.7	-2.8
	9M	39.39	39.14	43.01	41.03	40.64	-28.0	-27.9	-24.0	-19.7	-25.7
	Oct	49.06	48.84	51.37	49.89	49.79	6.7	6.7	4.1	7.7	6.3
	10M	40.35	40.11	43.85	41.92	41.56	-25.0	-24.9	-21.5	-17.2	-22.2

Source: Thaioil Plc and EPPO.

WTI Price Projection

Institution	USD /barrel	
	2016	2017
Moody's Investors Service	40.00 (Jun 2016)	45.00 (Jun 2016)
EIA	42.84 (Nov 2016)	49.91 (Nov 2016)
Barclays	43.00 (Nov 2016)	56.00 (Nov 2016)
JP Morgan	46.66 (Jul 2016)	56.75 (Jul 2016)

Source: Collected by NESDB

3. The World Economy in Q3 of 2016

In the third quarter of 2016, the world economy began to show a sign of recovery, indeed aligned with a much stronger improvement seen in advanced economies; the US, the UK, the Eurozone along with other key economies. Meanwhile, China was able to keep its economic growth on target. This brightening outlook for the world economy was reflected by a rebound in the manufacturing PMI index in major economies, returning to a level above 50. Moreover, the decline of the export growth in Asia countries was much slower, and some even became positive. Meanwhile, a rising inflation were seen in advanced economies and major economies in Asia. A gradual economic recovery and declining deflationary pressure caused central banks in the US, the Eurozone, Japan and China to maintain accommodative monetary policy stance. Nonetheless, the BOE required a further monetary easing to reduce an downside risk from the adverse impacts from Brexit.

❑ **US economy in the third quarter of 2016 expanded by 1.5 percent, accelerating from 1.3 percent in the preceding quarter.** This was due to a rebound in changes in inventories and an expansion in exports, as well as household consumptions which was in line with the continued improvement in labor markets. Non-farm payrolls increased by 575,000 persons and unemployment rate remained at a low level of 4.9 percent. Meanwhile, the real-estate growths remained favorable, and inflation rate accelerated to 1.1 percent. However, the FOMC still decided to maintain its policy rate in the range of 0.25 – 0.50 percent.

❑ **The Eurozone economy** expanded by 1.6 percent, equivalent to the previous quarter, primarily supported by the improvement in manufacturing and services sectors. Meanwhile, domestic demand continually expanded. Unemployment rate remained at 10.0 percent. Inflation rate was at 0.3 percent, accelerating from a 0.1-percent contraction. However, the improvement of economic indicators and the decrease of the deflationary pressure led to the decision of ECB to keep its policy rate unchanged and to maintain QE until the end of March 2017. In addition, ECB also signaled an additional accommodative monetary measure, if necessary, to accommodate the change in economic conditions.

❑ **Japanese economy** expanded by 0.9 percent, accelerating from a 0.6-percent expansion in previous quarter. The supporting factors for such growth include the expansion of domestic demand, from both government consumption expenditure and public investment under 28-trillion-Yen stimulus packages. Meanwhile, private consumption expenditure and private investment gradually recovered. With respect to economic stability, the Japanese Yen continued to appreciate, causing deflationary pressure to remain high. Inflation rate was at -0.6 percent. As a result, the BOJ decided to maintain the level of policy rate and adjusted its monetary policy framework by setting target rate of long-term government bond yield (10 year) to be at 0.0 percent.

❑ **Chinese economy** in the third quarter of 2016 expanded by 6.7 percent, equivalent to the previous quarter with the supports of the expansion of government spending under the economic stimulus packages and the growth of private consumption which remained favorable. This was in accordance with the retail-sales which expanded by 10.4 percent in the first 9-months of 2016. Inflation rate was at 1.7 percent. However, the fixed-asset investment continued to slowdown. Meanwhile, the Yuan continued to depreciate in line with a gradual decline in foreign reserves.

US economy expanded by 1.5 percent, accelerating from 1.3 percent in the preceding quarter, contributed by a rebound in changes in inventories and an expansion in exports and household consumptions.

The Eurozone economy expanded by 1.6 percent, while the inflation accelerated, therefore ECB kept policy rate unchanged, but signaled additional accommodative monetary measure, if necessary.

Japanese economy grew by 0.9 percent, accelerating from 0.6 percent in preceding quarter following the expansion of domestic demand under stimulus packages. BOJ decided to remain level of policy rate and QE at the same level.

Chinese economy expanded by 6.7 percent, equivalent to the previous quarter, supported by the expansion of government spending under the economic stimulus packages and the growth of private consumption which remained favorable.



❑ **Other Asian economies** mostly improved as exports to key trading partners recovered. The Newly Industrialized Economies (NIEs) continued to recover, especially Taiwan and Hong Kong whose growth accelerated from 0.7 and 1.7 percent in the second quarter of 2016 to 2.1 and 1.9 percent in the third quarter of 2016, respectively. Meanwhile, South Korea's and Singapore's growth rates were at 2.7 and 0.6 percent, decelerating from 3.3 and 2.0 percent in previous quarter, respectively, due to the contraction of the manufacturing sector. **Most ASEAN economies improved from the previous quarter**, owing to improvement in domestic demand and export. The Vietnamese and the Malaysian economies grew by 6.4 and 4.3 percent, compared with a growth of 5.8 and 4.0 percent, respectively, in the second quarter. By contrast, the Indonesian economy slowed down, owing to the deceleration in the domestic demand and its export.

At the beginning of the fourth quarter, the major economies were still on track to recovery at a slow but steady pace. The manufacturing ISM index of the US, the Eurozone and China were 53.4, 53.5 and 51.2 in October, compared with those of 51.5, 52.6 and 50.1 in September. Consistently, manufacturing PMI for Japan in October was recorded at 51.4 from 50.4 in September. Based on the stronger economic performance viewed in major advanced economies during the third and fourth quarter, the world economic growth in the second half of 2017 is expected to be higher than in the first half of the year. Nevertheless, the delay in recovery of major economies in the first half of 2016 would moderate the global economic projection to grow by 3.1 percent, nearly the same as the growth of 3.0 percent in 2015. In particular, the forecasts for the US, the Eurozone, Japan and China are expected to be 1.7, 1.6, 0.5 and 6.6 percent, compared with those of 2.6, 1.6, 0.5 and 6.9 percent, respectively, as observed in 2015. For the NIEs, the projections of Korea, Singapore and Taiwan are 2.9, 2.0 and 0.9 percent, whereas the figures in 2015 are 2.6, 2.0 and 0.7 percent, respectively.

NIEs economies and ASEAN-5 mostly improved following the expansion of domestic demand and exports to key trading partners.

Economic Inflation and Export growth in ASIA

	Export (%YoY)				GDP (%YoY)				Inflation (%YoY)			
	2014	2015	2016		2014	2015	2016		2014	2015	2016	
	Year	Year	Q2	Q3	Year	Year	Q2	Q3	Year	Year	Q2	Q3
USA	2.5	-7.5	-6.2	-2.1	2.4	2.6	1.3	1.5	1.6	0.1	1.0	1.1
EU	2.2	-12.1	1.9	0.1	1.2	1.9	1.6	1.6	0.4	0.0	-0.1	0.3
Japan	-3.4	-9.5	1.8	7.0	0.0	0.5	0.6	0.9	2.7	0.8	-0.4	-0.6
China	6.0	-2.9	-5.1	-6.3	7.3	6.9	6.7	6.7	2.0	1.4	2.1	1.7
Hong Kong	3.2	-1.8	-1.2	-0.3	2.7	2.4	1.7	1.9	4.4	3.0	2.6	3.1
India	2.4	-17.0	-1.5	-0.9	7.0	7.2	7.1	-	6.7	4.9	5.7	5.1
Indonesia	-3.6	-14.6	-8.7	-5.4	5.0	4.8	5.2	5.0	6.4	6.4	3.5	3.0
South Korea	2.3	-8.0	-6.7	-5.0	3.4	2.6	3.3	2.7	1.3	0.7	0.9	0.8
Malaysia	2.4	-14.9	-7.2	-2.1	6.0	5.0	4.0	4.3	3.1	2.1	1.9	1.3
Philippines	9.5	-5.3	-6.6	-4.3	6.2	5.9	7.0	7.1	4.2	1.4	1.5	2.0
Singapore	-0.4	-14.5	-5.7	-0.7	3.3	2.0	2.0	0.6	1.0	-0.5	-0.9	-0.4
Taiwan	2.8	-10.9	-6.2	0.1	3.9	0.7	0.7	2.1	1.2	-0.3	1.3	0.7
Thailand	-0.3	-5.6	-2.5	0.4	0.8	2.8	3.5	3.2	1.9	-0.9	0.3	0.3
Vietnam	13.8	7.9	5.1	9.3	6.0	6.7	5.8	6.4	4.1	0.6	2.2	2.8

Source: CEIC, Collected by NESDB



4. The World Economic Outlook for 2017

In 2017, the global economy is projected to follow an upward trend, continuing to be on a similar growth track in the second half of 2016. The expected world economic growth in 2017 is likely to be 3.3 percent, a faster pace than a 3.1-percent of growth in 2016, attributing to more rapid growth in the US, India, Japan and other major economies. Although, the Chinese and the Eurozone economies are likely to slow down. The stronger global economy is expected to drive world trade volume faster from a 2.6-percent growth in 2016 to 3.6 percent in 2017. Meanwhile, the oil and commodity prices are likely to rise after having bottoming out in 2016.

In the base case, **the U.S. economy** is expected to grow by 2.2 percent, accelerating from 1.7 percent in 2016. Such improvement will be supported by (i) private consumption which will improve as labor market recovers; (ii) the prospect of better economic sentiment after the election; and (iii) recovery of investments in real estate and energy sectors. **Eurozone economies** are expected to grow by 1.4 percent, gradually decelerating from 1.6 percent in 2016. This will be because of a number of key risks and limitations, including (i) the impacts from uncertainty related to the negotiations and conditions on trade relation with the UK; (ii) the Non-performing loan in the financial systems of many countries remain high, particularly under the context of rising long term interest rate which imposes a limit on credit extension; and (iii) the concerns that election outcome in many countries may see anti-Europe parties gaining increased popularity. **The Japanese economy** is expected to grow by 1.0 percent, accelerating from 0.5 percent in 2016. This is owed to the support from the fiscal stimulus packages of about 28 trillion Yen, which consist of investment in infrastructures after earthquake in 2016, and assistance for business affected by Brexit. However, the improvement still under risk from the appreciation of the Yen, as well as and the increasing deflationary pressure. Moreover, the domestic demand is still under a fragile recovery. **The Chinese economy** is anticipated to grow by 6.4 percent, decelerating from 6.6 percent in 2016 as there will continue to reform its economy and reduce risk in the financial and real estate sectors. Nevertheless, economic growth will also be supported by the growth in services and domestic consumption, as well as depreciation of the Yuan, and the increase in government's economic stimulus.

Economic recoveries of key trading partners, as well as growth of domestic demand, are likely to benefit the Newly Industrialized Economies (NIEs) and ASEAN economies to have continual improvement. Particularly the NIEs, it is expected that South Korea, Taiwan, Hong Kong, and Singapore will attain economic growth of 3.0, 1.8, 2.2, and 2.5 percent, accelerating from 2.9, 0.9, 1.5 and 2.0 percent in 2016, respectively. Similarly, ASEAN economies are expected to gain support from recovery of the key trading partners and the prices of global commodities, as well as growth of domestic demand. It is projected that Indonesia, Malaysia, the Philippines, and Vietnam will have growth rate of 5.2, 4.6, 7.2, and 6.4 percent, improving from 4.9, 4.2, 7.0, and 6.1 percent in 2016, respectively.

Nevertheless, the prospects for the global economy over the remainder of 2016 and the upcoming 2017 still face risk of volatility from (i) the policy direction under President Trump's administration; (ii) an Italian constitutional referendum is on 4 December 2016; (iii) the invocation of Article 50 of the Treaty on European Union in the UK on March 2017 and the results of the negotiations on trade relation between the UK and the remaining EU; (iv) the result of the 2017 French presidential election on 23 April 2017; (v) the results of the 2017 German federal election during August to October 2017; (vi) the weakness in European financial institution; (vii) the risk of Chinese financial institution problems and real estate bubble. All aforementioned incidences could potentially adversely affect the global economic recovery and the policy directions of major economies. In turn, the volatility of capital flow



and exchange rates fluctuation could be amplified. In the base case, however, the US economy is likely to further strengthen as can be evidently seen from the steady improvement in the employment and income amid rising inflation expectations. It is likely, therefore, that Fed will raise interest rate in December 2016. Meanwhile, other major advanced economies are likely to delay any further monetary easing. However, there still could be a possibility that the Bank of England, the European Central Bank and Bank of Japan will further ease monetary policy in the event that downside risks from the aforementioned scenarios materialized. Under such circumstance, the US dollar would likely to appreciate further relative to other major currencies.

5. Thai Economic outlook for 2016

Thai economy in 2016 is expected to grow by 3.2 percent, continually improving from 0.8 and 2.8 percent growth in 2014 and 2015, respectively. Meanwhile, headline inflation is anticipated to be at 0.2 percent, compared with -0.9 percent in 2015. Current account balance is expected to register an increase in surplus to 11.3 percent of GDP, compared with 8.2 percent of GDP in 2015.

On 21st November 2016, the Office of the National Economic and Social Development Board (NESDB) announced that the Thai economy is projected to grow by 3.2 percent, which is within the projected range of 3.0 - 3.5 previously released on 15th August 2016. Meanwhile, headline inflation will be 0.2 percent, which is close to the lower bound of the projected range of 0.1 - 0.6. The key changes are summarized below.

- 1) Export value in 2016** is expected to grow 0.0 percent, improving from the 1.9-percent contraction predicted in previous projection. This is a result of (i) growth of export value in the third quarter of 2016, representing a positive growth (of 0.4 percent) for the first time in 7 quarters; (ii) improvement of oil price and commodities price in the global market which rose more quickly than anticipated, making the export price in the third quarter of 2016 increased by 0.8 percent for the first time in 14 quarters, causing the export price in the first 9 months of 2016 to decline by only 0.8 percent. Coupled with the expected increase of export price in the fourth quarter of 2016, export price for the entire 2016 is projected to contract by 0.2 percent, which is less than the anticipated range of (-1.5) - (-1.0) percent used in the previous projection; and (iii) gradual recovery of the global economy led to a sooner-than-expected growth of export volume in August and September. This leads to our projection that export volume in 2016 will slowly turn positive by 0.2 percent, compared with a 0.9-percent decline in previous projection.
- 2) Government consumption** is expected to grow less than anticipated. This is owed to (i) expedited disbursement of annual budget in previous quarter, which leave limited budget for spending in the third quarter of 2016; (ii) expedited spending under the stimulus package and the carry-over budget in the second half of 2015, making the base for growth of the third quarter relatively high; and (iii) disbursement rate of the FY2016 annual budget stays at 97.2 percent, which is slightly lower than the target rate of 98.0 percent.
- 3) Private consumption** is expected to grow as high as 3.0 percent, slightly higher than the anticipated rate of 2.7 percent. This is due to (i) better-than-expected recovery of the agricultural sector, while overall agricultural prices continue to improve, and (ii) implementation of measures under the government's stimulus packages to assist farmers and low-income individuals.

6. Thai Economic outlook for 2017

The Thai economy in 2017 is expected to continually improve, owing to (i) the recovery of the export sector which will support the recovery of export-oriented industries and private investment; (ii) the stronger expansion of agricultural production which will contribute to an increase in household income and consumption; (iii) the growth contribution from public investment expansion which is likely to remain high; and (iv) tourism sector is still likely to grow favorably, albeit slower than previous year. However, the risks from the volatility in global economy and financial system should be closely monitored.

Economic stability is expected to remain favorable. The headline inflation tends to increase gradually as oil price increases together with ongoing domestic demand recovery. Thai baht is anticipated to depreciate slowly. Meanwhile, employment is likely to increase aligned with the recovery of agricultural production. Current account surplus is expected to remain high.

□ Supporting factors for the economic growth.

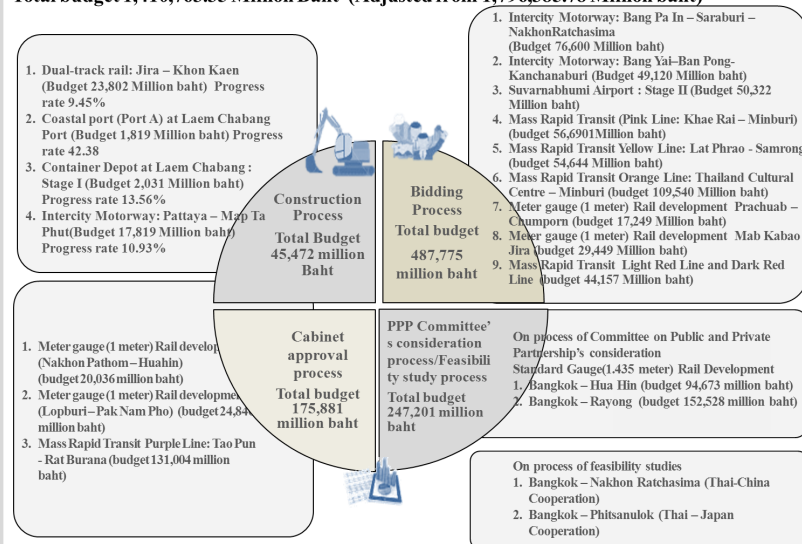
- 1) **Gradual recovery of the export sector**, supported by an economic recovery in major trading partners, as well as the price increase of goods in the global market. It would therefore be a driver that enhance industrial production and private investment to gradually recover in 2016. In the third quarter of 2016, export value grew, posting a positive growth figure for the first time in seven quarters. Export prices observably increased by 0.8 percent, while export quantity began to grow in August 2016. Such improvement of the export sector was in line with the accelerating economic growth in key trading partners as reflected by the increase of the manufacturing ISM in major economies, as well as the decelerating pace of export contraction in several Asian countries. For the remainder of 2016 and for the upcoming 2017, the overall growth prospect for major advanced economies and the global market prices are likely to improve continually. These aforementioned factors would support the export sector to grow positively in 2017 after three consecutive years of contraction.
- 2) **Trend of recovery and accelerated expansion in agricultural production** is expected to be a driving factor which generate household income base and consumption expenditure, after a severe impact from El Niño, which caused 3.8 and 1.3 percent contraction in agricultural sector during 2015 and the first half of 2016, respectively. However, in the third quarter of 2016, agricultural production began to pick up for the first time in eight quarters and more likely remained to grow in the fourth quarter of 2016 and in 2017, as the higher level of water supply seen in major dams. This would be a supporting factor that generates greater amount of income and more household expenditure, even though the higher agricultural production quantity would cause price of some products to revert to their normal levels.
- 3) **Public investment is expected to accelerate** in line with the progress of transport infrastructure development plan worth 1.4 trillion baht, whose disbursement is expected to accelerate in 2017 (see information box). Furthermore, on 17 November 2016, the Committee for Special Development Policy in Special Economic Zones approved the Eastern Economic Corridor development plan (2017 – 2021), which includes 173 projects worth 712.6 billion Baht and the 48 fast-track development projects with an investment of 7.0 billion Baht which will be implemented in 2017.



Progress of 20 public investment projects under Transport Action Plan

In 2016, the implementation of 20 public investment projects under Transport Action Plan have been making progress and are expected to accelerate in 2017. These projects are among the key factors which will stimulate the economic expansion in 2017.

Progress of 20 public investment projects under Transport Action Plan Year 2016 Total budget 1,410,763.35 Million Baht (Adjusted from 1,796,385.78 Million baht)



The 20 projects under this action plan worth 1.4 trillion baht can be divided into (i) 4 projects under construction worth 45.5 billion baht in total, which have been implemented and disbursed since 2016 and likely to accelerate in 2017; (ii) 9 projects which are under bidding process worth 487.8 billion baht, which will start construction and contribute to GDP growth next year; (iii) 3 projects awaiting cabinet approval, worth 175.9 billion baht; (iv) 2 projects under Committee on Public and Private Partnership's consideration (PPP process) worth 247.2 billion baht; and (v) 2 projects under feasibility study, namely Standard Gauge (1.435

meter) Rail Developments on Bangkok – Nakhon Ratchasima (Thai-China Cooperation) route and Bangkok – Phitsanulok (Thai – Japan Cooperation) route. It is also expected that some of the projects under (iii), (iv), and (v) will show significant progress in 2017.

4) Tourism sector is expected to maintain its favorable growth. In 2015 and the first nine months of 2016, the number of inbound tourists expanded considerably by 20.6 and 12.4 percent, respectively, and consequently was among the major sources of growth. However, the number of inbound tourists is likely to slow down in the last quarter of 2016, due to a high base effect from previous year, coupled with tourists' concern over behavior appropriately during the mourning period in Thailand, and the short-term impact from zero-dollar tour crackdown. However, these short-term factors are expected to diminish, and the growth of inbound tourists and tourism revenue will return to a favorable level once again.

□ Limitation and Risk Factors

The risk of global economic and financial fluctuation: Although the global economic outlook is projected to strengthen, and allow exports to grow again in 2017, there could be some factors that might cause volatility in global economy and financial system. The factors which must be monitored and assessed closely are (i) the policy direction under President Trump's administration; (ii) an Italian constitutional referendum is on 4 December 2016; (iii) the invocation of Article 50 of the Treaty on European Union in the UK on March 2017 and the results of the negotiations on trade relation between the UK and the remaining EU; (iv) the result of the 2017 French presidential election on 23 April 2017; (v) the results of the 2017 German federal election during August to October 2017; (vi) the weakness in European financial institution; and (vii) the risk of Chinese financial institution problems and real estate bubble.



□ Key assumption for 2017 economic projection

World Economic Projection				
	Actual Data		Projection on Nov 21, 2016	
	2014	2015	2016	2017
World Economic Growth (%)	3.2	3.0	3.1	3.3
USA	2.4	2.6	1.7	2.2
EU	0.9	1.6	1.6	1.4
Japan	0.0	0.5	0.5	1.0
China	7.3	6.9	6.6	6.4
World Trade Volume (%)	3.4	2.6	2.6	3.6
Exchange Rate (Baht/US dollar)	32.48	34.29	35.3	35.3 - 36.3
Dubai Crude Oil (US Dollar/Barrel)	96.5	50.9	41.0	42.0 - 52.0
Export Price (US Dollar) (%)	-1.0	-2.3	-0.2	0.7 - 1.7
Import Price (US Dollar) (%)	-1.8	-10.8	-2.7	2.5 - 3.5
Tourist (Million Person)	24.8	29.9	33.0	35.6

Source: NESDB

- 1) In 2017, the world economy and world trade volume are projected to expand by 3.3 and 3.6 percent, accelerating from 3.1-percent and 2.6-percent growth rates in 2016, respectively. The improving global prospects are driven by accelerating economic expansion in US, Japan, India, and other major developing economies, which compensate the decelerating prospect of the Chinese economy under economic and financial reforms, as well as the slowdown of the Eurozone economy given the constraints in the aftermath of Brexit, weakness in its financial sector, and concerns over the election results in major countries.

The US Election Results and the Global Economy

Economic Measures During Trump's Campaign			Since the election result has been announced on Nov. 8, 2016, economic policies of the next U.S. President, Mr. Donald Trump, is still unclear. During the campaign, Mr. Trump's policies mainly focus on (i) tax cut for both personal and corporate income tax; and (ii) anti-trade and anti-investment policies. These 2 policies will have different effects to U.S. and global economy. If the new president implements the full package under his tax regime, federal revenues would drop by \$10.5 trillion over 10 years. Falling government revenue will devastate
	Major economic policies proposal	The First 100 days Plan	
Tax dimension	- Reducing corporate tax from 35% to 15%. - Offering a one-time 10% tax on cash held overseas to encourage American corporates transferring their profits back. - Levying capital gain tax and dividend at 20% and repealing legacy tax	- A middle-class family with two children will get a 35% tax cut and the business rate will be lowered from 35% to 15%	
Expenditure dimension	- Reducing the government expenditure except the disbursement for social security - Expanding military spending and national security	- Facilitating private investment for infrastructure at up to \$1.0 trillion over the next 10 years by means of public-private partnership (PPP) with tax incentive	
Trade dimension	- Withdrawal the Tran-Pacific Partnership (TPP) agreement / renegotiation or withdrawal NAFTA / reconsidering trade negotiation under WTO - Imposing 35 percent tariff on Chinese goods until Yuan is allowed to float freely - Imposing 45 percent tariff on Mexican goods to punish American businesses which hire Mexican worker	- Announcing intension to renegotiate or withdrawal from NAFTA - Announcing a withdrawal from TPP agreement. - Identifying any unfair trading abuse made by foreign countries	

long-term growth of US economy. However, at the early stage of this policy implementation, it will stimulate both US and global economy. In addition, under trade protectionism policy, it will cause severe downside effects to both US and world economy. Thus, on the 100-day action plan that was released after the election, some policies have been removed. As a result, US economic policies and its effect to the world economy in 2017 is still ambiguous.

Taking into consideration the economic conditions, people's expectations, and political mechanism in the US, in the baseline scenario, it is anticipated that the fiscal policies, and tax cut, will be implemented before other policies. Trade protectionism against other countries, on the other hand, is expected to be delayed or even canceled. Amidst this circumstance, US policy direction in 2017 will be a supportive factor to the growth of the US and global economy. This is in line with the positive investor sentiment, reflecting by the rise of stock indexes, bond yields and inflation expectation in major countries.

- 2) **The average Thai baht value in 2017 is expected to be within the range of 35.3 – 36.3 Baht per US dollar, slightly depreciating from 35.3 baht per US dollar in 2016**, in accordance with the potential US policy rate hike – during December 2016. As a result, Thai baht as well as other regional currencies are likely to gradually depreciate.
- 3) **The average Dubai crude oil price in 2017 is expected to be in the range of 42.0 – 52.0 US dollar per barrel, higher than the average level of 41.0 US dollar per barrel in 2016.** The reasons behind higher oil price include (i) increasing oil demand as a result of improving prospects in the global economy; (ii) agreement among OPEC members to reduce oil production by 750,000 barrels per day; and (iii) potential risks that may arise from uncertainties in the Middle East. Nevertheless, there exist several factors which could prevent oil price from sharp increase, including (i) US dollar appreciation given the gradual pattern of the US policy rate hike; (ii) increasing production in the North-America both in the US and Canada following an increase in operating oil rigs as seen during October 2016 (after the global oil price reached 50 US dollar per barrel); and (iii) decelerating economic prospects in major oil consumers, namely China and Europe.
- 4) **The export price in US dollar term is projected to rise by 0.7 – 1.7 percent, recovering from a contraction of 0.2 percent in 2016. Moreover, the import price in US dollar term is likely to increase by 2.5 – 3.5 percent, compared with a 2.7-percent decline in 2016.** The improvement in export and import prices in US dollar term are owed to the improvement of the oil prices and major commodities price in world market.
- 5) **The number of inbound tourists in 2017 is expected to be 35.6 million people, increasing by 8.0 percent from 33.0 million people in 2016.** Meanwhile, income from tourism in 2017 is projected to be 1.95 trillion baht, improving by 10.8 percent from 1.76 trillion in 2016.⁵ The supporting factors include (i) domestic political stability; (ii) expansion of major airports (Don Muang, Phuket, and U-Tapao) to accommodate more tourist arrival; (iii) extensions in short-haul international operations by low-cost airlines, and (iv) recovery of number of tourists from the Eurozone, Russia, and China.
- 6) **Budget disbursement assumption** are as follows. (i) FY2017 annual budget disbursement rate is at 94.4 percent of overall budget, with disbursement rate of current and capital budget of 98.0 and 80.0 percent, respectively; (ii) state-owned enterprise's capital budget disbursement at 80.0 percent; (iii) carry-over budget disbursement at 75.0 percent; (iv) off-budget loans consisted of Water resource management and road transport system projects and others worth about 12.0 billion baht, decreasing from 47.7 billion baht in FY2016; and (v) annual budget disbursement in the first quarter of FY2018 (October - December 2017) is at 30.0 percent.

⁵ Calculated by estimating per capita income from tourism and then multiplying by the forecasted number of inbound tourists throughout the year. Data for compilation gathered from services receipts shown in current accounts, which was published by Bank of Thailand (BOT) as of 18 November 2016.



❑ Economic Projection for 2017

Thai economy in 2017 is projected to grow in the range of 3.0-4.0 percent, improving from 2.8 and 3.2 percent of growth during 2015 and 2016, respectively. The headline inflation is projected to be within the range of 1.0 – 2.0 percent. The current account balance is forecasted to register a surplus of 10.2 percent of GDP.

❑ Key contributions of economic growth

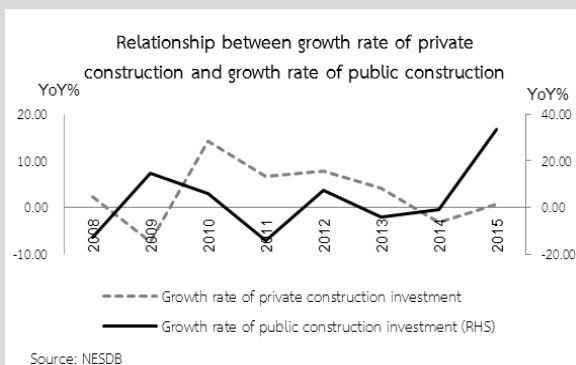
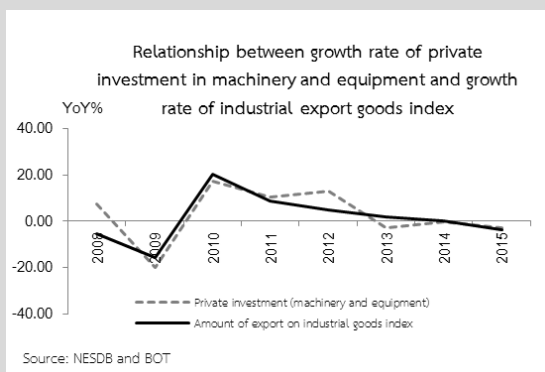
1) **Consumption:** *private consumption expenditure* is expected to grow by 2.7 percent, slightly edged down from the growth of 3.0 percent in 2016, showing a slower pace after previous rapid growth during the first half of 2016. This extraordinary jump of consumption in the first six months of 2016 could partly be explained by the fiscal stimulus measures as well as the upsurge in vehicle spending during the launch of several new car models over that period. However, the household consumption is expected to strengthen in the second half of 2017 due to the gradual improvement in household income from both a pickup in export-related earning and a stronger recover in farm income after a rising agricultural productions.

Meanwhile, government consumption expenditure is likely to increase by 2.1 percent, presenting a much better performance than 0.6 percent in 2016.

2) **Total Investment** is anticipated to rise by 5.0 percent, relative to a 3.0-percent of growth in 2016. **Private investment** is likely to grow by 2.8 percent, moving forward with stronger momentum from a growth of 1.2 percent in 2016. The key drivers mainly attributed to a further boost investment are (i) the recent trend of improvement in exports, which would slowly increase capacity utilization and eventually stimulate new investment to expand production capacity; (ii) a further progress of implementation of public infrastructure projects, especially those have already tendered and started to undertake a construction, which will enhance investor confidence and provides more clarity about the Government's intension; (iii) the tendency among foreign manufacturers to move their production bases to Thailand.

Relation between private investment, public investment and export

Private investment comprises of investment in machinery and equipment (contributing 80 percent of total private investment) and construction (sharing the reminder of 20 percent). During recent years, private investment moderately expanded and then declined, especially for those of machinery and equipment. However, **investment in machinery and equipment was found to closely relate with the expansion of export**. Whenever the export decline, excess production capacity will increase. Consequently, business firms are not necessary to invest more in their equipment. On the other hand, once export increases, the excess production capacity declines and therefore firms need to invest more aiming for increase their production capacity. Meanwhile, **private investment in construction is positively correlate with public sector construction**. Therefore, the sluggish growth and decline in private investment over the last few years could be mainly explained by a continually weakening of exports during 2010 – 2012, and then grew by only 2.2 percent over the period of 2013 – 2015 in line with global condition and a contraction in public investment. However, government turned to pay more attention to investment since 2015. Afterward, construction in public sector started to continually grow at higher rate. While export began to slowly pick up in the second half of 2016 and more likely to persistently grow in 2017. This aforementioned situation would be a supporting factor to enhance better performance of private investment growth.



Meanwhile, **Public investment** is expected to grow by 11.2 percent compared with a growth of 10.0 percent in 2016. This could be mainly driven by supporting factors from public enterprise investment and the progress of infrastructure projects in the transport section from 4 projects currently under construction and another 9 projects under bidding procedure (already been approved by the cabinet) and thereafter being constructed.

- 3) **Export value of goods in US dollar term** is predicted to expand by 2.4 percent, improving from 0.0 percent in 2016. Export volume of goods is estimated to grow by 1.2 percent, higher than a expansion of 0.2 percent in 2016, mainly supported by the recovery of the world economy and global trade volume. Meanwhile, export price is expected to rise by 1.2 percent. In addition, export of services is also expected to continue to expand well due to a continual expansion in income from tourism. Thus, the export quantity of goods and services is forecasted to grow by 3.0 percent in 2017.
- 4) **Import value of goods in US dollar term** is projected to grow by 4.5 percent, compared with a 5.2-percent contraction in 2016. It is expected that import volume will go up, following the recovery of the exports and the expansion of domestic demand, which will increase import volume to expand by 1.5 percent compared with a 2.5 percent contraction in 2016. Meanwhile, import price is projected to rise by 3.0 percent following the upward trend of oil prices and commodities prices in world market. Together with import of services, import volume of goods and services is forecasted to rise by 3.6 percent.
- 5) **Trade balance** is projected to register a surplus of 33.7 billion US dollar, gradually declining from 36.6 billion US dollar in 2016 because import value is projected to grow faster than that of export. Together with the surplus in service account, the current account is projected to register a surplus of 42.1 billion US dollar, or 10.2 percent of GDP.
- 6) **Economic Stability remains favorable.** The average headline inflation in 2017 is estimated to be in the range of 1.0 – 2.0 percent, compared with the rate of 0.2 percent in 2016, following the upward trend of crude oil prices, commodity prices, as well as the depreciation of Thai baht.

7. Economic Management for the remainder of 2016 and 2017

The Thai economy in 2017 is anticipated to improve gradually in tandem with the improvement of global economic and trade condition, the progress of the implementation of key infrastructure projects, and the recovery and acceleration of the agricultural sector. However, the growth of tourism sector is anticipated to slow down given the high base in previous year. Therefore, the Thai economy in 2017 will need to increasingly rely on the contributions from export of goods and SOE's budget disbursement. Meanwhile, there remain risks of volatility in the global economic and financial system, which could be exacerbated by the U.S. policy uncertainty, the outcome of upcoming elections and referendum in Europe, the negotiation between the UK and the European Union, as well as the weakness in the financial systems of key countries. Given these conditions, the priorities in economic management in the remaining of 2016 and in 2017 shall be given to the following issues.

- 1) Improving efficiency of budget disbursement** to maintain growth momentum from public spending by achieving (i) no lower than 80 percent of capital budget in FY2017; (ii) no lower than 80 percent of disbursement rate of SOE's capital budget in FY2017; and (iii) no lower than 75 percent of the carry-over budget. It is important to speed up the implementation of key public infrastructure projects, including transportation system, Eastern Economic Corridor, and special border economic zones.
- 2) Sustaining tourism receipts** by (i) implementing the 2017 strategic marketing plan for tourism sector, (ii) providing better understanding of the zero-dollar tour crackdown; (iii) using public relation to promote tourism activities and events, targeting tourists and foreign tourism companies; and (iv) ensuring security for tourists.
- 3) Facilitating export growth acceleration** by emphasizing the implementation of Thai Export Strategy 2017, especially proactively expanding to new potential export markets; supporting marketing plan to achieve targeted export markets; promoting border trade with CLMV; enhancing value added for export products with innovation; and monitoring as well as warning policies relating to trade barriers, particularly under the trend of anti-unfair trade in advanced economies.
- 4) Assisting farmers and preparing measures to handle agricultural products expansion** by reducing production cost, supporting large-scale farming, adopting proper crop plantation and production process suitable for each areas, and facilitating direct engagement between farmers and buyers, aiming to minimize marketing costs in order to pass on higher income to farmers
- 5) Building up confidence and supporting private investment growth** by (i) accelerating export in order to reduce excess production capacity, inducing investors to invest in targeted industrial and service sectors; (ii) implementing proactive measures to attract investors in the targeted sectors related to country development such as industrial clusters, International Head Quarter (IHQ) and International Trading Center (ITC); (iii) providing information on progress of key public infrastructure projects, particularly in investment in public transportation, Eastern Economic Corridor (EEC), and Special Economic Zones (SEZs) development; (iv) facilitating investors who wish to relocate their production base to Thailand; and (v) providing information on the political roadmap, as well as its purpose and the key content of drafted constitution, particularly those related to reform process under the National Strategy.



Projection for 2016 - 2017 ¹

	Actual Data		Projection		
	2014	2015	2016		2017
			Aug 15, 2016	Nov 21, 2016	Nov 21, 2016
GDP (at current prices: Bil. Bht)	13,132.2	13,533.6	14,034.3	14,034.3	14,806.2
GDP per capita (Bht per year)	195,995.2	201,284.9	208,055.2	208,055.2	218,853.7
GDP (at current prices: Bil. USD)	404.3	395.1	395.3	397.6	413.6
GDP per capita (USD per year)	6,033.6	5,876.5	5,860.7	5,893.9	6,113.2
GDP Growth (CVM, %)	0.8	2.8	3.0-3.5	3.2	3.0-4.0
Investment (CVM, %)	-2.4	4.7	3.3	3.0	5.0
Private (CVM, %)	-1.0	-2.0	1.5	1.2	2.8
Public (CVM, %)	-7.3	29.8	10.0	10.0	11.2
Private Consumption (CVM, %)	0.6	2.1	2.7	3.0	2.7
Government Consumption (CVM, %)	2.1	2.2	3.9	0.6	2.1
Export volume of goods & services (%)	0.2	0.1	2.5	3.2	3.0
Export value of goods (Bil. USD)	226.7	214.1	208.0	214.1	219.2
Growth rate (%) ^{2/}	-0.3	-5.6	-1.9	0.0	2.4
Growth rate (Volume, %) ^{2/}	0.7	-3.4	-0.9	0.2	1.2
Import volume of goods & services (%)	-5.3	-0.4	-1.3	-1.5	3.6
Import value of goods (Bil. USD)	209.4	187.2	166.7	177.5	185.5
Growth rate (%) ^{2/}	-7.9	-10.6	-6.1	-5.2	4.5
Growth rate (Volume, %) ^{2/}	-6.2	0.3	-2.6	-2.5	1.5
Trade balance (Bil. USD)	17.3	26.8	41.3	36.6	33.7
Current account balance (Bil. USD)	15.1	32.1	38.6	45.0	42.1
Current account to GDP (%)	3.8	8.2	9.8	11.3	10.2
Inflation (%)					
CPI	1.9	-0.9	0.1-0.6	0.2	1.0-2.0
GDP Deflator	1.0	0.2	0.1-0.6	0.5	1.5-2.5

Source: Office of the National Economic and Social Development Board, 21st November 2016

Remark: ^{1/} Data was calculated based on new National Accounts Office's Series, published on www.nesdb.go.th

^{2/} Export and import base on the Bank of Thailand's data.