

Economic Outlook



Thai Economic Performance in Q4 and 2013 and Outlook for 2014

Macroeconomic Strategy and Planning Office

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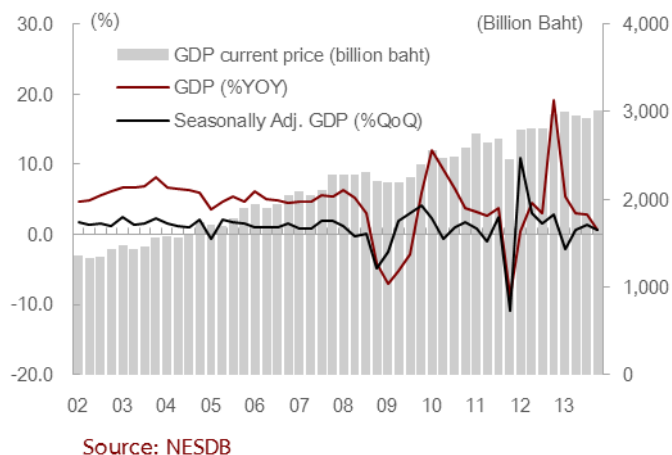
Economic Projection for 2014

(% YOY)	2012	2013			Projection
	Year	H1	H2	Year	2014
GDP (at 1988 price)	6.5	4.2	1.6	2.9	3.0-4.0
Total Investment (at 1988 price)	13.2	5.2	-8.7	-1.9	3.1
Private	14.4	2.4	-8.0	-2.8	3.8
Public	8.9	17.0	-11.2	1.3	0.3
Total Consumption (at 1988 price)	6.8	3.7	-1.6	1.0	1.6
Private	6.7	3.4	-2.9	0.2	1.4
Public	7.5	5.4	4.5	4.9	2.0
Export of Goods (US\$)	3.1	1.0	-1.4	-0.2	5.0-7.0
Volume	2.5	1.0	-0.5	0.2	4.0-6.0
Import of Goods (US\$)	8.8	4.6	-5.3	-0.4	5.7
Volume	7.1	7.2	-3.6	1.7	5.2
Current Account to GDP (%)	-0.4	-3.5	2.3	-0.6	-0.2
Inflation	3.0	2.7	1.7	2.2	1.9-2.9
Unemployment rate	0.7	0.7	0.7	0.7	0.7

- ❑ The Thai economy in the fourth quarter of 2013 expanded by 0.6 percent, slowing down from 2.7 percent in the previous quarter. After seasonally adjusted, the economy expanded by 0.6 percent from the previous quarter (% QoQ SA).
- ❑ **On the expenditure side**, the expansion was mainly supported by government spending and exports. **On the production side**, the growth was contributed by the hotels and restaurants, the real estates, and the agricultural sectors.
- ❑ **In 2013, the Thai economy** grew by 2.9 percent. Private consumption expenditure expanded by 0.2 percent while total investment and export values contracted by 1.9 and 0.2 percent respectively. Meanwhile, the headline inflation stood at 2.2 percent and current account recorded a deficit of 0.6 percent of GDP.
- ❑ **In 2014, the Thai economy** is forecasted to grow by 3.0 – 4.0 percent driven mainly by expansion in exports, tourism as well as public and private consumption. However, domestic demand is downwardly adjusted from the previous forecast due to the delay in key public investment projects and the annual budgeting process in the FY 2015, a high base effect in durable goods and impacts from the political disturbance on the tourism sector. It is expected that export value will grow by 5.0 – 7.0 percent while private consumption expenditure and total investment are likely to expand by 1.4 and 3.1 percent respectively. The headline inflation is forecasted to be in the range of 1.9 – 2.9 percent, and current account expected to record a deficit of 0.2 percent of GDP.
- ❑ **Economic management for 2014** should emphasize on the following issues including (i) Expediting exports to expand at its full potential in order to be an income base for supporting domestic demand and to serve as a key engine for the Thai economy. The policies should be emphasized on raising export income from major markets and newly high-potential markets, supporting adjustment of production sector, as well as promoting boarder and interregional trade by facilitating cross-border trade and transport as well as facilitating entrepreneurs to penetrate the markets in neighboring countries. (ii) Administering the public projects which have already been approved to proceed in the operation stage and to achieve the target of the FY2014 disbursement rate. Operational plans for the projects which still need to be scrutinized by the new cabinet must be prepared in order to expedite their operations in the latter half of the year. It is also necessary to clarify and address guidelines for public infrastructure investment projects as well as to improve the investment promotion policy and the scrutiny of the pending investment applications for approval. (iii) Implementing accommodative monetary policies for the economic recovery including preceding exchange rate from overly volatile, and managing the liquidity in the economy as well as ensuring the access to credit in particular for SMEs entrepreneurs, and (iv) preparing for mitigating the impacts from intensified drought conditions.

The Thai economy in the fourth quarter and the outlook in 2014

The Thai economy in the fourth quarter expanded by 0.6 percent, continually slowed down from 5.4, 2.9, and 2.7 percent in the first three quarters respectively. The expansion of expenditure side was mainly supported by government spending, exports and mounting inventories while household consumption declined. On the production side, the expansion was primarily driven by the hotels and restaurants, the real estates and the agricultural sectors. Compared to the third quarter of 2013 after seasonal adjustment, the Thai economy grew by 0.6 percent (% QoQ SA). All in all, the Thai economy in 2013 grew by 2.9 percent.



Thai economy in the fourth quarter of 2013

- (1) **Private consumption** expenditure declined by 4.5 percent, continued from a contraction of 1.2 percent in the previous quarter. This was mainly due to a contraction of expenditure on durable goods, especially in domestic car sales which dropped by 42.0 percent. Meanwhile, the consumer confidence also worsened during the political disturbances. In 2013, private consumption expenditure expanded by 0.2 percent.
- (2) **Total investment** declined by 11.3 percent, continued from a contraction of 6.3 percent in the previous quarter. Government investment contracted by 4.7 percent due primarily to the decline in disbursement of the off budget including investment budget under TKK, investment budget under the Development Policy Loan, and loan under Water Resource Management Program. In the same light, private investment also declined by 13.1 percent, continuing from a negative growth of 3.1 percent in the previous quarter. This was mainly contributed by a contraction in machinery and equipment of 15.4 percent, as a result of a high base effect which reflected in the 15.3 percent reduction of capital goods imports. Furthermore, private construction declined by 4.6 percent, in line with a downturn of the business sentiment index from 47.8 in the previous quarter to 46.4 in this quarter. In 2013, total investment contracted by 1.9 percent with a 2.8 percent contraction of private investment and a 1.3 percent expansion of public investment.
- (3) **Export value** recorded 55,884 million US dollars or contracted by 1.0 percent, continuing from a contraction of 1.8 percent in the previous quarter following a modest recovery of global demand, a decline in commodity prices in the global market, as well as a sharp decline in the fishery production resulting from the Early Mortality Syndrome (EMS) in shrimps. Export value excluding unwrought gold contracted by 0.9 percent. Key export items with positive growth includes (i) electronics (1.7 percent), petroleum products (11.8 percent),

machinery and equipment (8.9 percent), and agricultural products (5.9 percent). Exports to major markets especially the US and EU (15) expanded by 5.2 and 6.3 percent respectively, while exports to Japan contracted by 5.5 percent as a result of Yen depreciation. Furthermore, exports to ASEAN (9) expanded by 1.2 percent whereas export to Hong Kong and Australia decreased by 12.0 and 10.7 percent respectively, slowed down from the previous quarter. On the contrary, after seasonal adjustment, export increased by 5.7 percent from the previous quarter in line with the beginning stage of the global economic recovery. In 2013, export values stood at 225,397 million US dollars or declined by 0.2 percent. Nevertheless, export values in US dollar term excluding unwrought gold expanded by 1.3 percent while those in Baht term had 6,927,604 million Baht values or contracted by 1.3 percent.

- (4) **The agricultural sector** expanded by 2.3 percent improving significantly from a contraction of 0.3 percent in the previous quarter, owing to an increase in key products including on-season rice, rubber, and livestock. On the other hand, production of sugarcane, cassava, oil palm, and fishery declined. Overall agricultural prices rose by 1.8 percent and thus bolstering farm income to increase by 4.8 percent. The agricultural production expanded by 1.4 percent, and the agricultural price index decreased by 0.3 percent; while, farm income index increased by 0.3 percent.
- (5) **Hotels and restaurants sector** grew by 5.4 percent remarkably slowing down from 15.1 percent expansion in the previous quarter, following a reduction in numbers of inbound tourists. The number of inbound tourists in this quarter stood at 7.1 million persons or 10.7 percent growth, significantly slowing down from 26.1 percent growth in the third quarter. The total revenue received record at 350 billion baht or 12.1 percent growth rate. In 2013, hotels and restaurants sector expanded by 12.1 percent. Total number of inbound tourists were 26.7 million persons, increased by 19.6 percent from the same period of last year. Top three of inbound tourists were from China, Malaysia, and Russia.
- (6) **Manufacturing sector** declined by 2.9 percent following a contraction of 1.1 and 0.5 percent in the second and the third quarters respectively. This was mainly due to the reduction in automobile production after the delivery of vehicles under the first-time-car-buyer scheme was completed as well as to the declines in private consumption and export of manufacturing products. This was in line with the contraction of 7.1 percent of the Manufacturing Production Index (MPI) and the low capacity utilization rate of 62.2 percent. In 2013, the manufacturing sector grew by 0.1 percent.
- (7) **Construction sector** contracted by 7.7 percent, continuing from a contraction of 2.2 percent in the previous quarter. The contraction owed primarily to a contraction of 13.2 and 4.6 percent in government and private constructions respectively. This was in line with the reduction of permitted construction area, sales of steel, and a slowdown of cement sales. In 2013, the construction sector grew by 1.2 percent.

Thai Economic outlook for 2014

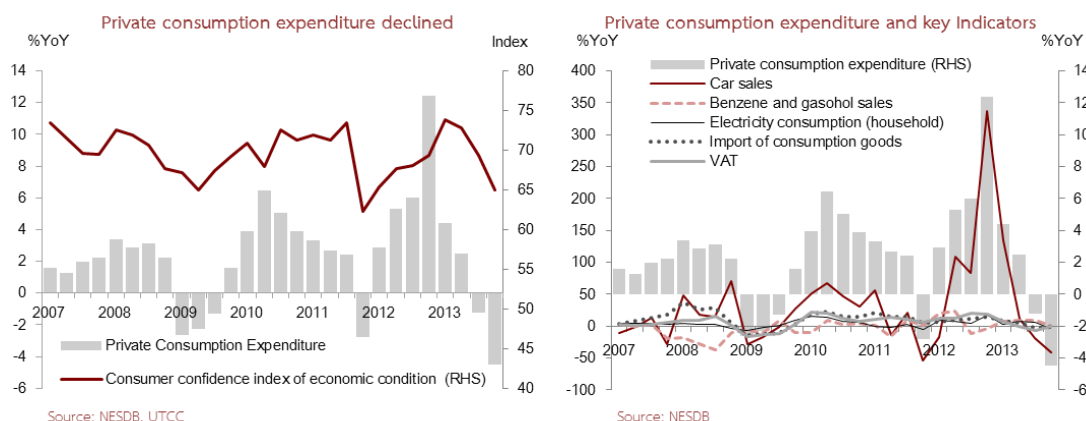
NESDB projected that Thai economy in 2014 is likely to expand in the range of 3.0 – 4.0 percent, a downward revision from the previous forecast of 4.0 – 5.0 percent released on the 18th of November 2013. This downward revision was mainly due to the downward adjustment of the number of inbound tourists as well as an expected delay in key government investment projects and the FY 2015 budgeting process. Thus, domestic demand is expected to expand lower than previously forecasted. Export values (in US dollar term) are likely to grow in the range of 5.0 – 7.0 percent while private consumption expenditure and total investment are projected to grow by 1.4 and 3.1 percent respectively. The headline inflation is expected to lie in the range of 1.9 – 2.9 percent and the current account is likely to record a deficit of 0.2 percent

1. The Thai Economy in Q4 and the Year 2013

□ Expenditure Side:

Private consumption expenditure contracted due to a high base effect in domestic car sales, income slowdown and declining consumer confidence. In the fourth quarter of 2013, private consumption expenditure contracted by 4.5 percent, compared with a 1.2 percent contraction in the previous quarter. This was due to a contraction in expenditure on durable goods, especially on domestic car sales which declined by 42.0 percent, compared with a large expansion of 296.4 percent in the same period last year as consumers rush to use their right for car purchases under the first-car-buyer scheme before it ended on 31st December 2012. A slowdown in other spending was due to a weak income from export, and an increase in excise taxes on alcohol, beer and wine, as well as a decline in consumer confidence.

In 2013, private consumption expenditure expanded by 0.2 percent, compared with a 6.7 percent growth in the previous year.



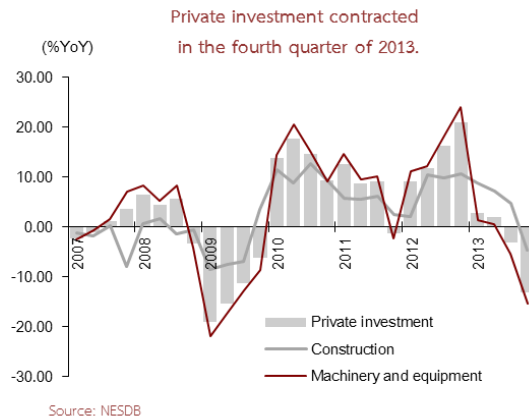
Private investment declined in both machinery and equipment, and construction investments. In the fourth quarter of 2013, private investment contracted by 13.1 percent, compared with a contraction of 3.1 percent in the previous quarter. **The machinery and equipment investment** contracted by 15.4 percent, which was in line with the 15.3 percent contraction of import value of capital goods (at constant price), due to a speed up in capital goods import in the last quarter of 2012. Meanwhile, domestic commercial car sales contracted by 26.6 percent, compared with an 18.0 percent contraction in the previous quarter. **Construction investment declined** by 4.6 percent, compared with a 4.8 percent growth in previous quarter. Such decline was in line with the Business Sentiment Index (BSI) which reduced to 46.4, compared with the level of 52.2, 50.9, and 47.8 in the first, second and third quarter of 2013 respectively. Furthermore, value of net applications for investment promotion from the Board of Investment (BOI) declined from a high base of 450 billion baht recorded in the fourth quarter of 2012 to 373 billion baht in the fourth quarter of 2013.

In 2013, private investment contracted by 2.8 percent. Machinery and equipment investment contracted by 4.7 percent, whereas construction investment expanded by 4.0 percent.

Expenditure in the last quarter of 2013 declined owing to a contraction in private consumption, private investment and export.

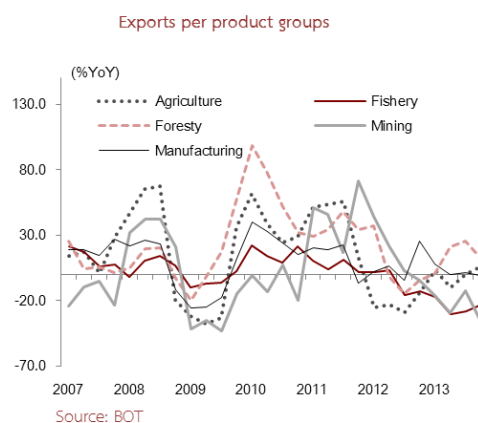
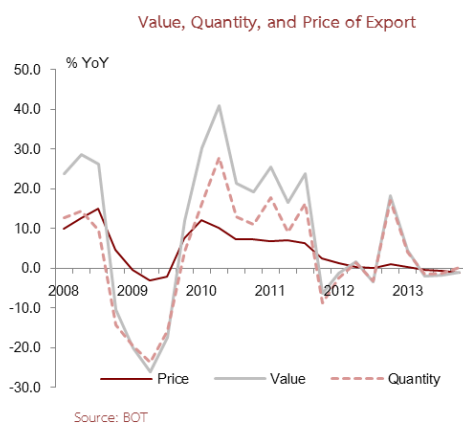
Private consumption expenditure contracted by 4.5 percent due to a contraction in expenditure on durable goods and also other goods amidst a slowdown in the economic conditions and plummeted consumer confidence.

Private investment declined by 13.1 percent, compared with a contraction of 3.1 percent in the previous quarter due to contraction in investment in machinery and equipment and construction.



Exports: export quantity improved in line with better global economic conditions, but export value continued to decline as a result of the slump in export prices, as well as the constraints on production of fishery products, and the technological change in hard disk drive production. Export value in the fourth quarter of 2013 was recorded at 55,884 million US dollars (or equals to 1,772,782 million baht) – a 1.0 percent decline, compared with a 1.8 percent contraction in the previous quarter. The export volume increased by 0.2 percent, while export price contracted by 1.2 percent. Nonetheless, comparing with the previous quarter base on seasonal adjusted basis, export volume index grew by 5.7 percent, reflecting an improvement in the global economic conditions. Export value (excluding unwrought gold) decreased by 0.9 percent. In baht term, the value of export grew by 2.4 percent, compared with a decline of 1.4 percent in the previous quarter.

Export value in US dollar term contracted by 1.0 percent resulting from the slump in export prices while demand in the global market remained soft. In baht term, export value grew by 2.4 percent.



Export value of agricultural commodities increased by 5.9 percent, compared with a decline of 0.2 percent in the previous quarter. Export volume grew by 11.2 percent thanks to increases in exports of rubber and tapioca. Meanwhile, there was a decline in the export price of key products, such as rice, rubber, tapioca and sugar, and thus causing overall export price of agricultural products to decline by 4.8 percent. The value of **rice** export declined by 14.0 percent due to a decline in quantity and price of 1.8 and 12.1 percent respectively. **Tapioca exports** increased by 20.0 percent, owing to an increase in export volume. Meanwhile, the export value of **rubber** expanded by 13.8 percent, the first expansion after declining for seventh consecutive quarters. This is due mainly to the exemption of CESS duty on rubber export between 2nd September – 31st

December 2013 which helped reduce the exporting cost. Meanwhile, exports of sugar decreased by 1.2 percent for the fifth consecutive quarters, due mainly to a drop in export price. **Manufacturing products** contracted slightly due to a sluggish recovery of the global economy, the technological changes in electronic products, as well as a high base from the previous year. The export volume and value of manufacturing products both declined by 0.8 and 1.1 percent respectively. Exports of automobiles declined by 3.9 percent from an unusual high base. Meanwhile, the export value of hard disk drive continued to decline by 17.6 percent due to changes in production technology and consumer behaviors. The manufacturing products which enjoyed positive growth of exports in the fourth quarter of 2013 included electronics, petroleum products, and machinery and equipment with 1.7, 11.8, and 8.9 percent growth rates respectively. **Nevertheless, exports of fishery products** contracted by 29.8 percent with a sixth consecutive quarter due to impacts from the EMS disease in shrimps.

In 2013, export value was registered at 225,397 million US dollars, representing a decline of 0.2 percent compared with 3.1 percent expansion in 2012. Export volume increased by 0.2 percent but export price declined by 0.5 percent. Export value (excluding unwrought gold) increased by 1.3 percent. In baht term, export value however declined by 1.3 percent compared with a growth rate of 5.2 percent in 2012.

Export Value of major commodities

%YoY	2012					2013								
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct	Nov	Dec	Shared Q4/13
Agriculture	-22.1	-25.4	-23.1	-29.2	-13.6	0.0	3.2	-9.8	-0.2	5.9	-4.1	-2.6	26.1	9.0
Rice	-28.0	-38.7	-36.9	-34.1	5.0	-4.6	8.6	-14.0	5.5	-14.0	-25.3	-25.7	21.2	2.1
Rubber	-31.1	-26.6	-27.5	-39.7	-30.6	-5.9	-8.7	-16.8	-11.1	13.8	9.2	13.2	18.6	4.2
Tapioca	6.9	-11.8	18.8	13.4	11.3	14.8	29.8	-5.0	14.0	20.0	4.4	2.0	57.4	1.3
Industry	6.1	2.0	6.0	-4.8	25.4	1.8	8.1	-0.4	1.4	-1.1	-0.3	-2.1	-0.9	87.5
Agro Manufacturing Product	4.1	12.9	3.6	-3.3	4.4	-2.6	-1.7	-3.1	-4.5	-0.9	0.7	-0.8	-2.9	11.8
Sugar	8.9	40.8	3.1	8.7	-27.0	-27.2	-37.4	-22.6	-32.2	-1.2	-7.8	44.5	-29.0	0.7
Apparels and textile materials	-12.0	-15.3	-15.7	-15.5	0.5	3.6	1.3	6.8	4.2	2.2	3.4	0.8	2.3	3.3
Electronics	0.9	-8.3	3.8	-14.7	34.4	-0.7	3.6	-8.6	2.6	1.7	3.8	-0.1	1.5	14.6
- Computer and parts	14.3	3.4	22.3	-8.6	58.1	-5.6	-1.2	-18.1	-1.6	0.9	4.7	-0.1	-1.9	7.1
- Integrated circuits & parts	-15.4	-21.0	-21.3	-29.8	26.9	7.9	2.0	7.4	18.7	3.1	0.5	1.6	6.5	3.2
- Other electronic parts	-4.9	-10.3	10.3	-16.6	0.7	7.9	8.4	-1.9	10.8	14.6	15.7	12.6	15.6	2.2
Electrical Appliances	2.2	-7.9	1.0	-8.7	35.2	2.3	13.4	-1.4	-0.8	-0.6	-1.7	-0.7	0.7	4.9
Automotive	26.3	2.6	33.7	10.3	77.0	7.6	16.8	12.2	7.2	-3.9	3.6	-1.5	-12.4	13.5
- Passenger Vehicle	-9.3	-46.2	-16.8	-25.7	119.6	16.6	68.2	40.7	16.9	-25.0	0.4	-10.4	-45.2	2.6
- Vehicle parts	11.1	17.8	21.6	1.4	6.5	7.7	3.1	8.7	8.6	10.2	10.2	5.7	14.9	5.5
Metal & Steel	21.3	-5.4	-0.6	24.0	72.3	-5.5	55.9	6.6	-21.0	-37.2	-32.6	-41.6	-36.7	4.0
- Steel	63.1	0.5	-1.9	99.4	175.0	-14.8	140.6	6.7	-45.7	-62.7	-61.4	-59.1	-67.3	1.1
Petroleum products	15.7	68.1	14.2	-12.6	18.7	-1.3	-6.3	-19.3	9.6	11.8	2.0	11.3	23.7	6.4
Machinery & Equipment	1.9	-1.0	10.8	-4.0	2.6	4.0	4.2	-1.5	4.7	8.9	4.7	7.0	16.0	8.0
Chemical	2.1	8.3	-2.9	1.6	2.3	7.6	15.9	10.0	4.6	0.2	3.1	-3.9	1.7	3.7
Gold	12.8	-14.7	-34.1	130.1	-36.0	-50.1	-86.8	-29.1	-46.8	-8.7	0.9	-61.4	400.1	1.1
Fishery	-7.1	1.4	2.9	-16.2	-13.0	-25.4	-18.2	-31.6	-28.2	-22.9	-17.2	-24.2	-27.7	1.0
Shrimp, Crab, Lobster	-14.3	-5.0	1.5	-26.4	-19.9	-33.4	-19.0	-46.5	-35.1	-29.8	-20.2	-32.5	-37.7	0.5

Source: BOT

Export markets: exports to the U.S. and EU (15) markets registered a higher growth while exports to ASEAN (9) also continued to grow. Meanwhile, exports to Japan, Hong Kong, and Australia declined. Exports to the US, and EU (15) grew by 5.2 and 6.3 percent respectively, speeding up from 0.7 and 3.3 percent respectively in the previous quarter. Exports to ASEAN (9) expanded by 1.2 percent. Meanwhile, export to Japan declined continually by 5.5 percent due to the depreciation of the Yen. At the same time, export to China expanded by 12.9 percent. Export to Hong Kong and Australia declined by 12.0 and 10.7 percent respectively.

Major Export Market

(%YOY)	2012					2013								
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct	Nov	Dec	Shared Q4/13
USA	4.6	2.1	4.6	-1.2	14.3	0.8	2.6	-3.5	0.7	5.2	6.5	5.0	3.9	10.5
Japan	-1.6	-6.3	-1.3	-6.5	9.0	-5.2	1.5	-6.2	-10.1	-5.5	-12.1	-1.0	-2.8	9.7
EU (15)	-9.2	-16.9	-7.5	-19.3	13.4	2.7	8.7	-5.2	3.3	6.3	7.0	5.9	5.8	9.1
ASEAN (9)	5.0	9.2	7.1	-10.3	15.2	5.0	5.9	2.5	10.8	1.2	2.5	-2.2	3.4	25.5
Hong Kong	9.6	-6.5	-8.4	9.8	59.2	0.7	11.2	7.8	-1.4	-12.0	-14.5	-16.1	-5.1	5.3
Middle East	12.8	6.5	9.8	4.5	36.2	0.3	5.4	-6.9	0.6	2.4	4.5	4.1	-1.7	5.1
China	2.5	1.4	13.7	-12.2	9.9	1.4	7.3	-13.4	-0.3	12.9	14.5	8.5	16.1	13.5
Australia	22.1	-9.6	20.5	23.7	64.9	6.0	33.6	16.3	-5.5	-10.7	-9.1	-12.5	-10.5	4.1
Total Export	3.1	-1.4	1.9	-4.2	18.5	-0.3	4.3	-2.2	-1.7	-1.0	-0.7	-4.1	1.9	100.0
Total Export by Balance of Payment	3.1	-1.4	1.7	-3.4	18.2	-0.2	4.5	-1.9	-1.8	-1.0	-0.5	-4.0	1.8	98.8

Source: BOT

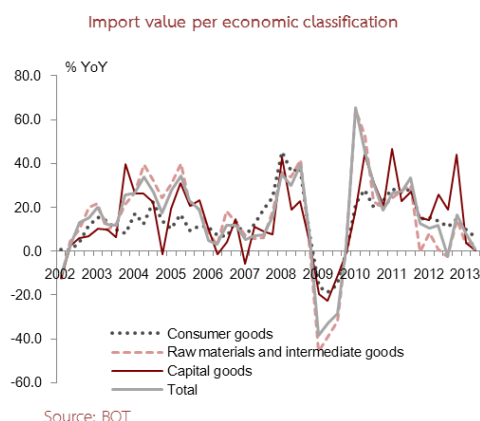
Imports continued to contract along with the declining exports and the weakening domestic demand. The decline in imports was also due to an unusual high base effect of capital goods imports in the same period of last year and a fall in import prices. Import in US dollar term was recorded at 52,036 million US dollars in the fourth quarter of 2013, representing a decline of 7.6 percent. This owed to a decline in import volume of 6.3 percent and also a decline in all import categories. Meanwhile, the price of imports declined by 1.5 percent, especially gold, automobile parts and components, iron, metal and steel, as well as plastics. Excluding unwrought gold, the value of import contracted by 6.5 percent. In baht term, the value of import was recorded at 1,649,766 million baht, declining by 4.6 percent compared with a contraction of 2.6 percent in the previous quarter.

Considering individual import item, it was prevalent that the **import value of raw materials and intermediate goods** contracted by 1.6 percent. This was mainly due to the decline in import of agricultural and agro-manufacturing, construction materials, materials of base metal, chemicals, plastics, electrical appliances parts, and computer parts and accessories. This was in line with the plummet in industrial production and export sectors. **The import value of capital goods also declined by 14.1 percent.** The contraction was a result of a high base effect from the same period last year, especially the import of machinery, equipment, and electrical supplies such as transformers, generators, motors, accumulators, computer, power-generating machines, other machinery and parts. Meanwhile, the import of aircrafts continued to expand. **The import value of consumer goods remained unchanged**, comparing with a decline of 1.1 percent in the previous quarter.

Import in US dollar term declined by 7.6 percent following the decline in export and the slowdown of domestic demand, as well as unusual high base of import of capital goods.

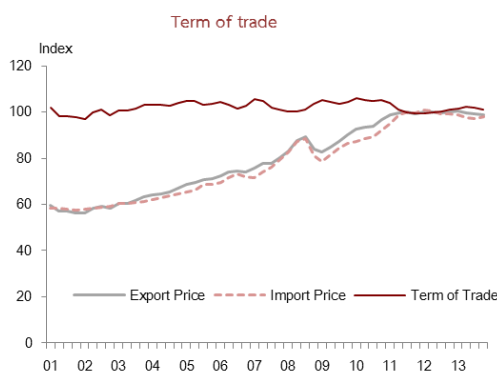
Value of import in most categories declined, while consumer goods remain steady.

In 2013, the import value was recorded at 219,042 million US dollars, with a negative growth of 0.4 percent, compared with an expansion of 8.8 percent in the previous year. The import volume grew by 1.7 percent while import price declined by 2.1 percent. In baht term, import value declined by 1.6 percent, compared with a growth of 10.9 percent in previous quarter.



Term of trade declined slightly from the previous quarter. Export price decreased by 1.2 percent, while import price decreased by 1.5 percent. Therefore, the term of trade was 101.1 in the fourth quarter of 2013, compared with 101.9 in the previous quarter.

In 2013, the term of trade improved to 101.7, compared with 100.0 in 2012. The price of export declined by 0.5 percent, while the price of import declined by 2.1 percent.



Trade balance recorded a surplus for the second consecutive quarters. The trade balance in the fourth quarter of 2013 recorded a surplus of 3,849 million US dollars (equivalent to 123,016 million baht), compared with a deficit of 5,033 million US dollars (equivalent to 159,204 million baht) in the previous quarter. This was due to the fact that import value declined at a faster pace than export value.

In 2013, the trade balance registered a surplus of 6,355 million US dollars (equivalent to 207,680 million baht), higher than 6,015 million US dollars (equivalent to 188,767 million baht) in 2012.

Term of trade declined slightly from the previous quarter.

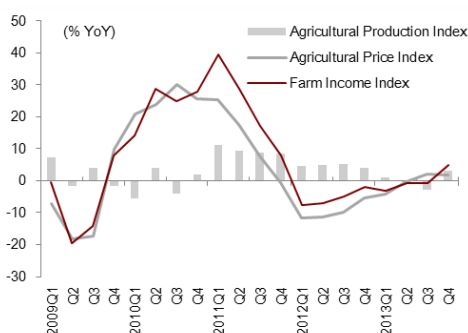
Trade balance recorded a surplus.

□ Production side

Agricultural sector expanded following an increase in major agricultural productions, particularly in-season rice, rubber, and livestock. In the fourth quarter, agricultural sector increased by 2.3 percent compared with 0.3 percent contraction in the previous quarter. The expansion was attributed to (i) the expansion of rice cultivation areas and the early-plantation of last year's in-season rice (ii) the increase in production areas of rubber, and (iii) the increase in livestock production in response to higher domestic and external demands. However, productions of sugar cane, cassava, oil palm and fishery declined by 3.0, 1.4, 6.8 and 20.2 percent, respectively. The decline was affected by a drought, dry-spell, red mite outbreaks in some plantation areas, as well as a widespread of Early Mortality Syndrome (EMS) in white shrimp. **Agricultural Price Index** increased by 1.8 percent in this quarter, from 2.1 percent in previous quarter. The agricultural products with increased prices included oil palm (26.8 percent) with the first increase in five quarters. This was in line with rising reference price index in Malaysian market due to higher demands for consumption in China and for biodiesel production in the EU in particular, livestock (18.5 percent) and white shrimp (82.6 percent) due to its low supplies. Nevertheless, the products with price contraction included in-season rice, sugar cane, and rubber due to (i) a slowdown in the global demand while the production continued to surge, (ii) excess supplies of sugar which led sugar price in the world market to be lower than the fundamental price level (approximately 20 cent per ounce). Overall, increases in agricultural production and prices supported farm income to increase by 4.8 percent.

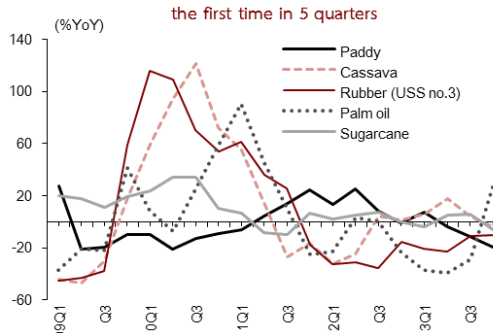
In 2013 the agricultural production expanded by 1.4 percent, and the agricultural price index decreased by 0.3 percent. Meanwhile, farm income index increased by 0.3 percent.

Agricultural Price increase led to farm income rise



Source: OAE

Price of key agricultural products declined but Palm oil price rose the first time in 5 quarters



Source: OAE

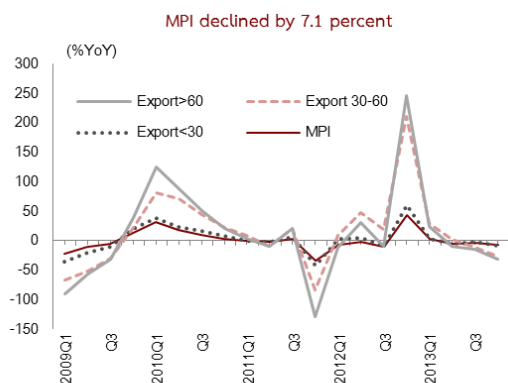
Industrial Sector declined due to the reduction in car production, the decline in industrial exports, and softened domestic demands. In the fourth quarter, industrial production contracted by 2.9 percent, continuing from 1.1 and 0.5 percent contraction in the second and third quarter. The average capacity utilization rate was 62.2 percent, the lowest level in the past two years. The downtrend was caused by (i) the declines in household consumption and private investment, (ii) the decrease in car production from last year's high base production growth of 23.9 percent, due to the end of first-car-buyers scheme. This brought about a sharp drop in passenger car consumption of 42.0 percent, (iii) the fall in industrial exports while the recovery of global economy was still

Agricultural sector expanded by 2.3 percent owing to higher production of in-season rice, rubber, and livestock. The agricultural price index continuously increased for two consecutive quarters and led farm income to expand by 4.8 percent.

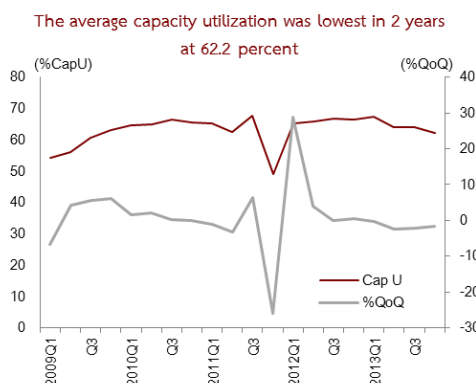
Industrial sector dropped by 2.9 percent due to the end of the first-car-buyers scheme, slower household consumption, and decreased industrial exports.

at its beginning, and (iv) changes in technology and consumer behavior which lowered the demand for hard disk drive production. The products with positive growth included textile, apparels, petroleum, rubber, plastic products, and radio and television devices. The products with negative growth included food and beverages, chemical products, hard disk drive, automobiles and furniture.

In 2013 the industrial production expanded by 0.1 percent, and capacity utilization averaged at 64.4 percent.



Source: OIE



Source: OIE

Construction sector decreased in both public and private sectors. In the fourth quarter, construction sector fell by 7.7 percent, continuing from a decline by 2.2 percent in the previous quarter. This was caused by contraction in both public and private constructions by 13.2 and 4.6 percent respectively. The contraction was also in tandem with the declines in permitted construction area and metal sale volumes of 17.7 and 9.0 percent respectively. In addition, cement sales also slowed down with growth rate of 3.7 percent. However, construction material price increased by 1.7 percent following higher cost of cement and concrete products.

In 2013 the construction sector expanded by 1.2 percent.

Real estate sector continuously expanded in both demand and supply sides. In the fourth quarter, real estate sector expanded by 4.4 percent. **On the demand side**, housing demand still expanded, reflected by housing right transfer in Bangkok and vicinities area and personal housing credit which expanded by 13.1 and 11.8 percent, respectively. **On the supply side**, most indicators improved, particularly, real estate development credit and numbers of new projects which expanded by 18.2, and 9.5 percent, respectively. Meanwhile, newly completed and registered housing units in Bangkok and vicinities area dropped by 11.4 percent. In price, land price increased by 12.7 percent, which led to the rise in the prices of townhouse (including land) and single detached house (including land) by 9.7 percent and 5.6 percent, respectively. Likewise, price of condominium price rose by 4.3 percent.

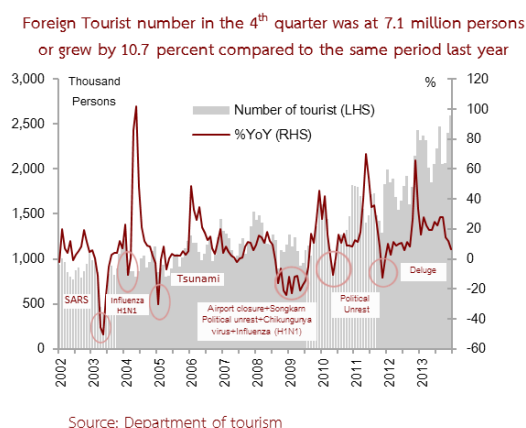
In 2013, real estate sector rose by 4.6 percent.

Construction sector contracted by 7.7 percent, following 13.2 and 4.6 percent declines in public and private construction, respectively.

Real Estate Sector expanded by 4.4 percent, owing to the expansion in both demand and supply. However, rising land price led to higher housing price.

Hotels and restaurants sector slowed down following the impact of the new Chinese tourism law launched in October and the political demonstration in December. In the fourth quarter, the hotels and restaurants sector expanded by 5.4 percent, sharply decelerated from 15.1 percent growth in the previous quarter. This was consistent with a slowdown in inbound tourist numbers from an expansion of 26.1 percent in the previous quarter to 10.7 percent in this quarter (7.1 million persons), particularly a lowest expansion of 6.7 percent in December. This eventually affected tourism revenue to slowdown from a growth of 12.7 percent (or 348,877 million baht) to 32.6 percent growth (or 320,894 million baht) in the previous quarter. The average occupancy rate remained stable at 64.7 percent, similar rate as the same period last year.

In 2013 the hotels and restaurants sector expanded by 12.1 percent. Total number of inbound tourists was 26.7 million persons, increased by 19.6 percent from the same period of last year. Top three of inbound tourists were Chinese, Malaysian and Russian.



Wholesale and retail trade sector decelerated following a softened domestic demand. In the fourth quarter, wholesale and retail trade sector increased by 2.2 percent, slowing down slightly from 2.6 percent expansion in the previous quarter. **In retail trade**, there was a slowdown in food and beverages and a contraction in automobiles and fuel while retail sales from department store increased. **In wholesale trade**, there was an increase in fuel and a slowdown in construction materials and food, while machinery and devices and agricultural materials decreased.

In 2013 the wholesale and retail trade sector increased by 3.2 percent.

Hotels and Restaurants sector expanded by 5.4 percent, slowed down following the impact of the new Chinese tourism law launched in October and the political demonstration in December. The number of inbound tourists stood at 7.1 million persons or increased by 10.7 percent.

Wholesale and retail trade expanded by 2.2 percent, down from 2.6 percent in the previous quarter following a softened domestic demand.

Wholesales and retail sales indices

% YOY	2011	2012					2013				
	Year	Year	Q1	Q2	Q3	Q4	11M	Q1	Q2	Q3	Oct-Nov
Retail sales index	4.2	18.4	8.0	16.8	14.4	36.7	0.1	10.0	2.8	-5.6	-9.0
Food and beverages	-13.1	-16.3	-50.3	-20.8	-9.7	45.6	55.7	106.6	104.5	14.6	7.5
Department stores and supermarket	7.4	8.8	7.3	8.2	8.4	11.2	2.5	4.4	3.8	-1.2	3.2
Motor vehicles and fuel	1.3	29.1	10.4	27.4	23.3	62.3	-2.1	14.1	0.5	-9.7	-16.2
Wholesales index	18.6	20.4	19.9	23.0	8.3	33.0	-1.0	11.1	-1.9	-5.9	-9.3
Agricultural raw material and live animals	13.4	-12.2	-18.3	-16.2	-14.8	3.0	-0.2	-0.3	-0.1	2.7	-4.5
Food and Beverage	5.5	10.8	9.0	7.2	8.5	18.2	13.2	13.9	13.7	14.9	9.0
Fuel	9.8	16.0	16.3	7.3	16.6	24.2	3.5	6.8	2.6	-1.8	7.9
Construction material	15.1	10.9	5.8	7.0	3.5	29.9	6.8	9.6	5.3	9.5	1.0
Machinery and equipment	6.5	18.6	5.7	21.1	10.8	41.4	2.6	26.6	1.6	-8.4	-11.0

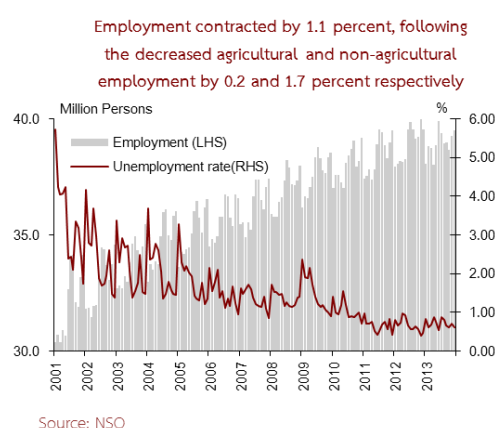
Source: BOT

Employment in the fourth quarter of 2013 stood at 39.14 million persons, decreasing by 1.1 percent. Employment in agricultural sector declined by 33,610 persons (or 0.2 percent) while employment in non-agricultural sector dropped by 408,192 persons (or 1.7 percent). The reduction in non-agricultural employment was due mainly to (i) 221,244 persons or 3.7 percent decline in wholesale and retail trade sector, (ii) 152,434 persons or 6.3 percent decrease in hotels and restaurants sector, and (iii) 91,881 persons or 5.5 percent drop in public administration, country defense and compulsory social insurance sectors, particularly in buildings construction. However, industrial sector had higher employment of 70,522 persons or 1.3 percent increase in line with the employment increase in food, rubber and plastic products, and textile industries.

The average number of unemployed person in this quarter was 257,849 persons, increasing by 67,602 persons from the same period last year. The average unemployment rate remained low at 0.7.

In 2013 the unemployment rate averaged 0.7 percent and total employment declined by 0.1 percent.

Employment dropped by 1.1 percent due to declines in agricultural and non-agricultural sectors. However, employment in the industrial sector expanded by 1.3 percent, particularly in food, rubber and plastic and textile. Unemployment rate remained low at 0.7 percent.



Employed Persons by Industry

%YOY	2012					2013				
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Employed (100%)	1.2	1.0	1.5	0.7	1.8	-0.1	1.3	0.9	-1.2	-1.1
- Agricultural (38.7%)	3.7	2.3	5.2	3.4	3.8	-0.4	1.2	0.5	-1.7	-0.2
-- Non-Agricultural (61.3%)	-0.3	0.2	-0.8	-1.2	0.5	0.1	1.4	1.1	-0.8	-1.7
Manufacturing (14.9%)	1.8	2.4	1.8	1.0	1.9	1.0	1.1	-1.3	2.5	1.3
Construction (6.5%)	5.1	-1.0	0.1	7.7	14.1	2.6	6.0	5.6	-3.2	-0.7
Hotel and Restaurant (6.0%)	-9.4	-10.5	-14.3	-11.4	-0.5	-0.1	4.4	7.2	-6.0	-6.3
Wholesale (15.3%)	-0.7	-0.9	0.6	-1.6	-0.9	0.1	3.5	2.3	-1.2	-3.7
Unemployment (Hundred thousand persons)	2.6	2.8	3.4	2.3	1.9	2.8	2.8	2.9	3.1	2.6
Unemployment Rate (%)	0.7	0.7	0.9	0.6	0.5	0.7	0.7	0.7	0.8	0.7
Of Which under employment (Hundred thousand persons)	3.5	3.5	3.8	3.0	3.6	3.3	3.9	2.8	3.3	3.6

Source: National Statistical Office

❑ Fiscal conditions

On the revenue side, revenue collection was higher than the target though still remained lower than the same period of last year. In the first quarter of fiscal year 2014 (October – December 2013) net government revenue collection stood at 504,568.0 million baht, or 2.7 percent higher than target. This was caused by excise tax reform on liquor in September 2013, the return of reserved revenue for exporters' compensation in December, and the expansion of revenue in the private sector. However, net revenue collection was still lower than the same period of last year by 0.8 percent due to the extra-revenue from the auction of 3G licenses and the unusual high excise tax collection on cars during the-first-time-car buyer scheme.

Government Revenue

Fiscal Year (Billion Baht)	2012					2013					2014
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1
Net Government Revenue	1,975.9	398.5	412.8	620.8	543.8	2,161.3	508.5	469.6	641.9	541.3	504.6
Compared with the target (%)	-0.2	4.2	4.0	-3.3	-2.7	2.9	16.2	5.2	-1.4	-4.3	2.7
YOY (%)	4.4	0.7	4.8	3.9	7.6	9.4	27.6	13.7	3.4	-0.5	-0.8

Source: Ministry of Finance

On the expenditure side, the total budget disbursement in the first quarter of the fiscal year 2014 was at 967,741.8 million baht, declining by 0.4 percent compared with the same period last year. The total budget disbursement of this quarter comprised current budget of 670,927.1 million baht (decreased by 0.7 percent) and capital budget of 293,814.9 million baht (decreased by 0.2 percent).

The budget disbursement classified by source of funding were (i) the 2014 annual budget disbursement of 760,824.8 million baht, increased by 8.7 percent from the previous year, or equivalent to 30.1 percent of the total budget which was higher than the target of 22 percent. The annual budget disbursement comprised current expenditure of 644,281.9 million baht (increased by 0.5 percent from last year) and capital expenditure of 116,542.9 million baht (increased by 99.5 percent¹ from the previous year), or equivalent to 27.2 percent of the total capital budget which was higher than the target of 15 percent, (ii) carry-over budget disbursement of 70,233.2 million baht decreased by 18.5 percent from the same period of the previous year, (iii) off-budget loan of 7,873.0 million baht decreased by 2.5 percent which included the Royal Decree on investment loan for water resource management and future development of 2,247.1 million baht, and (iv) state-owned-enterprises' (including PTT public company limited) capital budget disbursement of 125,873.0 million baht, decreased by 27.9 percent².

Fiscal balance, in the first quarter of fiscal year 2014, the cash balance before debt financing recorded a deficit of 279,191.8 million baht. This comprised of a deficit in budgetary balance of 334,812.2 million baht and a deficit of non-budgetary balance of 7,673.6 million baht. Furthermore, the government managed the cash balance through borrowing total amount of 63,294 million baht. Thus, the status of treasury reserve at the end of December 2013 remained at 324,732 million baht.

Public debt at the end of November 2013 amounted to 5,393,439.9 million baht or equivalent to 45.3 percent to GDP.

Net government revenue collection was 2.7 percent higher than the target due to the excise tax reform on liquor, the return of reserved revenue for exporters' compensation, and the increased revenue of private sector.

The annual budget disbursement and the capital budget disbursement were above the target.

Treasury reserve at the end of December recorded at 324,732 million baht.

Public debt remained at 45.3 percent to GDP.

¹ The increase of investment spending in this quarter is a result of Department of local administration's disbursement of 104,333.9 million baht, accounting for 89.5 percent of capital budget disbursement in this quarter. This represents an increase of 136.4 percent compared with previous year.

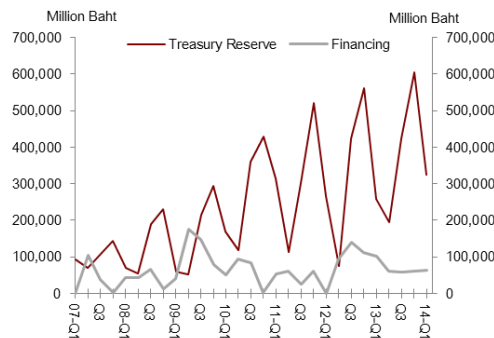
² Capital budget disbursement of 125,837.0 million baht in this quarter comprised of 109,136.0 and 16,701.0 million baht from capital budget disbursement of FY2013 and FY2014 respectively.

Government Expenditure

Fiscal Year (Billion baht)	2012					2013					2014
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1
Budget Disbursement	2,684.9	575.2	843.9	525.1	740.8	2,847.0	968.5	666.7	564.1	647.7	964.7
YOY (%)	9.7	-15.3	35.0	-12.5	36.1	6.0	68.4	-21.0	7.4	-12.6	-0.4
Current Expenditure	1,945.8	424.6	671.0	388.1	462.2	1,994.9	675.4	455.3	413.0	451.2	670.9
YOY (%)	4.2	-22.6	53.9	-19.8	15.8	2.5	59.1	-32.1	6.4	-2.4	-0.7
Capital Expenditure	739.0	150.3	172.5	136.6	278.1	852.1	293.1	211.4	151.1	196.5	257.9
YOY (%)	27.1	14.8	-8.7	18.1	92.6	15.3	95.0	22.6	10.6	-29.3	-12.0
Disbursement excluded Department of local administration	2,501.0	530.5	738.8	511.5	720.3	2,654.1	891.3	594.5	528.8	639.5	826.5
YOY (%)	NA	NA	NA	NA	NA	6.1	68.0	-19.5	3.4	-11.2	-7.3
1. Annual Budget	2,148.4	439.2	732.9	435.5	540.9	2,171.4	699.8	512.8	452.5	506.3	760.8
Disbursement	90.3	18.5	30.8	18.3	22.7	90.5	29.2	21.4	18.9	21.1	30.1
Disbursement Target (%)	93.0	20.0	22.0	25.0	26.0	94.0	20.0	24.0	25.0	25.0	22.0
Current Budget	1,873.0	401.1	651.1	376.0	444.9	1,894.8	641.4	422.1	402.3	429.0	644.3
Capital Budget	275.4	38.1	81.8	59.5	96.0	276.6	58.4	90.7	50.2	77.3	116.5
Disbursement	66.3	9.2	19.7	14.3	23.1	68.7	14.6	22.6	12.6	18.9	27.2
Disbursement Target (%)	72.0	10.0	13.0	20.0	29.0	80.0	10.0	15.0	25.0	30.0	15.0
Disbursement of Department of local administration	183.9	44.7	105.1	13.6	20.5	192.9	77.2	72.2	35.3	8.2	138.2
Annual Budget excluded Department of local administration	1,964.5	394.5	627.8	421.9	520.4	1,978.5	622.5	440.6	417.2	498.1	622.6
2. Carry-over-budget	146.8	50.6	47.9	24.1	24.2	231.0	86.2	72.7	30.8	41.3	70.2
3. Off-budget loan	33.6	6.5	5.8	5.9	15.4	40.3	8.1	8.8	10.3	13.1	7.9
4. State-own-enterprise's capital budget	356.1	78.9	57.3	59.6	160.3	404.3	174.4	72.4	70.5	87.0	125.8

Source: FPO & GFMIS & NESDB

Statement of Government Operations



Source: MOF

Financial Conditions

Policy interest rate declined. During the fourth quarter of 2013, the Monetary Policy Committee (MPC) cut the policy interest rate from 2.50 percent per annum to 2.25 percent per annum. The decision was made under the assessment that the Thai economic growth tended to be lower than expected, while inflationary pressure remained subdued. However, most of the central banks in ASEAN countries kept their policy rate unchanged, while most of the major advanced countries continually kept their policy rates at a low level. Moreover, the European Central Bank, during November 2013, decided to cut its Refinancing rate from 0.50 percent per annum to 0.25 percent per annum.

Due to slow economic prospect, the MPC decided to cut the policy interest rate. However, most of the central banks in ASEAN countries kept their policy rate unchanged.

In 2013, the policy interest rate was cut twice. In May, the monetary policy committee decided to lower the policy rates from 2.75 percent per annum to 2.50 percent per annum. Later on, in November the rate was cut further by 25 basis points and thus, at the end of 2013, the policy interest rate stood at 2.25 percent per annum.³

During the fourth quarter of 2013, an average deposit and lending rate of four major banks, mid-size commercial banks, and specialized financial institutions declined, in line with a reduction in policy interest rate. At the end of the fourth quarter of 2013, an average 12-month deposit rate of four major banks, mid-size commercial banks, and specialized financial institutions decreased from 2.50, 2.50 and 2.71 percent per annum in the previous quarter to 2.23, 2.37 and 2.60 percent per annum, respectively. Likewise, an average minimum loan rate (MLR) of four major banks, mid-size commercial banks, and specialized financial institutions also declined from 7.00, 7.38 and 7.04 percent per annum in the previous quarter to 6.85, 7.25 and 6.92 percent per annum, respectively. However, an average 12-month deposit rate and MLR of retail banks remained stable from the previous quarter at 3.02 and 8.05 percent per annum.

In 2013, an average 12-month deposit rate and MLR in most of Thai commercial banks and specialized financial institutions declined in line with the reduction of policy interest rate. Nevertheless, average MLR of retail banks remain unchanged from the end of 2012 at 8.05 percent per annum.⁴

Deposits including Bill of Exchange (B/E) of commercial banks expanded by 7.1 percent slowed down from 7.5 percent in the previous quarter. Despite the fact that there were increasing competitions among commercial banks in deposit raising activities in order to cope with future credit expansion at the end of the year and to maintain their deposit base, however the deposit raising competition were soften during the fourth quarter due to the slowdown in credit expansion, following an unfavorable economic condition. In addition, demand for tax beneficial products (LTF, RMF and Insurance) has increased toward the end of the year.

Private loans (excluding accrued interest) grew by 10.0 percent, slowing down from 11.2 percent in the previous quarter. Business loans slightly accelerated to 8.5 percent compared with 8.1 percent in the previous quarter, owing to commercial bank credit expansion in the production, manufacturing, and commercial sectors. On the other hand, commercial bank credit extended towards banking and financial, and agricultural sectors were significantly declined. Similarly, business loan in special financial institutions (SFIs) slowed down, mainly due to a high base effect. Furthermore, household loans expanded at a slower rate from 12.8 percent to 10.5 percent. This owed to uplift in restrictions on loan approval by financial institutions due to the economic slowdown, high base effect, and the smaller momentum from the first-time-car-buyer scheme. This is also in tandem with the slowdown in domestic consumption as reflected in spending via credit card, credit balance outstanding, and credit card cash advance.

Average deposit and lending rates of four major banks during the fourth quarter of 2013 declined in line with a reduced policy interest rate.

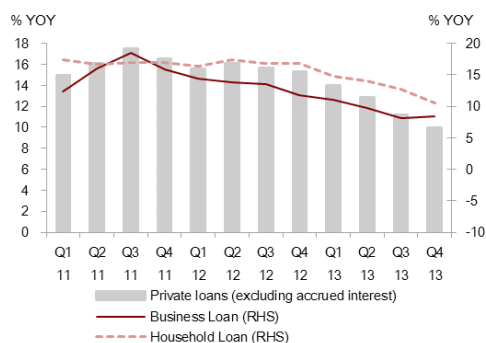
Deposits including Bill of Exchange (B/E) of Commercial Banks decelerated from the previous quarter as the deposit raising activities has soften and demand for tax beneficial product increased.

Private loans (excluding accrued interest) slowed down. Business loan slightly accelerated while household loans slowed down following stricter loan approval, high base effect and lessen momentum from the first-time-car-buyer scheme.

³ In January 2014, the MPC maintained the policy interest rate at 2.25 percent per annum. This was due to the assessment of MPC that the current policy remained appropriate to accommodate an ongoing recovery of Thai's economy. Furthermore, MPC committee consent to wait for the apparent political resolution to accurately estimated the political unrest effect to Thai's economy.

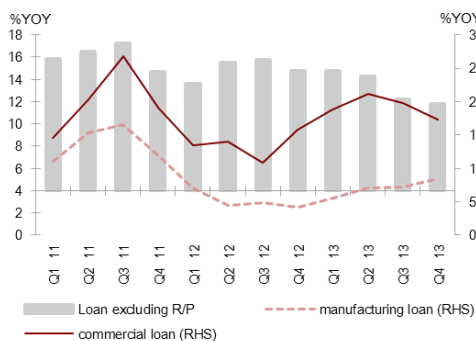
⁴ In January 2014, several commercial banks decreased their average 12-month deposit rate, while kept an average MLR unchanged. However, four major banks cut their 12-month deposit rate to 2.19 percent per annum, and raised MLR to 6.88 percent per annum.

Loan for other depository corporations sectoral



Source : Bank of Thailand

Loan expanded from manufacturing loan and commercial loan



Source : Bank of Thailand

Loan to deposit ratio of commercial bank systems slightly tightened from the previous quarter while excess liquidity increased. Commercial bank's credit (excluding repurchase position: RP) to deposits (including B/E) ratio increased to 101.4 percent from 100.4 percent at the end of last quarter. On the other hand, excess liquidity increased to 1,312.0 billion baht compared to 1,237.4 billion baht in the preceding quarter following an increase in public debt securities investment.

SET index showed a declining trend throughout the fourth quarter due to increasing concern over the Fed's QE tapering measure and the domestic political disturbance. At the end of the fourth quarter, SET index was closed at 1,298.7 points or decreased by 6.1 percent from the end of the third quarter, with an average daily trading volume declined to 32.9 billion baht. Foreign investors recorded a net sell of 87.5 billion baht due to net sell volume in November and December. This was also in line with sell-off trend of risky assets by foreign investors in the Asian markets. Nevertheless, the SET index declined more than other regional markets as a result of the domestic political disturbance.

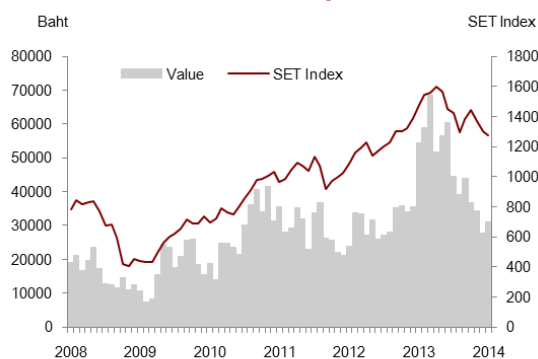
In 2013, the SET index remained highly volatile following changes of the US monetary policy direction and deterioration in emerging countries prospect. Thus, the SET index at the end of 2013 dropped by 6.7 percent from the end of 2012. Nevertheless, the SET index during 2013 soared and hit its 20 years- record high at 1,643.4 points.

During January 2014, SET index further declined and closed at 1,274.3 points. The average daily trading volume slightly decreased to 31.1 billion baht from 32.9 billion baht in the fourth quarter. Foreign investors recorded a net sell of 13.7 billion baht due to heighten concern over domestic political disturbance. During 1st – 13th of February, SET index remained volatile as the political problem remained unsolved.

Loan to deposit ratio of commercial bank systems slightly tightened while excess liquidity increased.

SET index moved downward throughout the fourth quarter due to increasing concerns over the Fed's QE tapering and the domestic political disturbance.

SET Index and Trading Value

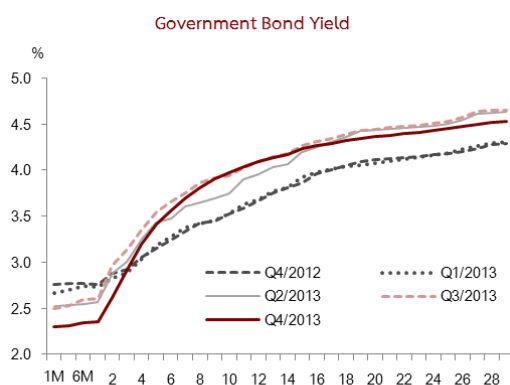


Source : CEIC

Bond trading volume decreased, in line with the significant drop in foreign investors' net buy. Average daily outright transaction in the fourth quarter registered at 69.5 billion baht, the lowest level in 2013. Foreign investors earned a net buy of 7.5 billion baht, immensely declined from 91.2 billion baht in the third quarter. This major shift in foreign investor position was because (i) investors reduced investment risks from the volatile capital market within the region, and (ii) investors reduced investment weight in the debt security market due to domestic political uncertainty which inevitably become risk factor for Thailand's economic expansion. This in turn put more downward pressure on policy interest rate and a larger reduction in government debt securities issuance than the previous projection. Coupled with the reduction in policy interest rate, Thai government bond yield at the end of this quarter shifted downward in almost all maturity, especially short and medium term maturities.

In 2013, daily outright transaction averaged at 85.3 billion baht, slightly increasing from the previous year. Nevertheless, foreign investors' net buy recorded at 420.0 billion baht declining for more than half from the previous year since the investors shifted their investment toward major advanced countries following their improved economic conditions.

In January 2014, average daily outright trading volume was 70.9 billion baht, slightly decreasing from the fourth quarter and December 2013. Foreign investors recorded a net sell of 6.0 billion baht after the Fed began its QE tapering and domestic political disturbance remained prolong.



Capital and financial account in the fourth quarter recorded a net outflow of 7.92 billion US dollars. The outflow was mainly contributed by a 5.23 billion US dollars outflow from the others sector and 3.44 billion US dollars from the banking sector. The major outflow owed mainly to the net sell position of foreign investors in BOT bond and capital market due to heightened concerns over the QE tapering and domestic political unrest.

In 2013, the capital and financial account recorded a net inflow of 1.24 billion US dollars. This was attributed to inflow of foreign loan in the banking and other sectors, foreign direct investment (FDI) and net buy position of foreign investor in the bond market. Nevertheless, the net inflow in 2013 significantly declined from previous year owing to heavy sell-off of foreign investors particularly in BOT bond and stock.

Thai baht depreciated in line with the market expectation, the announcement of US's QE tapering, as well as the current domestic political disturbance. An average exchange rate in the fourth quarter of 2013 stood at 31.69 baht per US dollar compared to

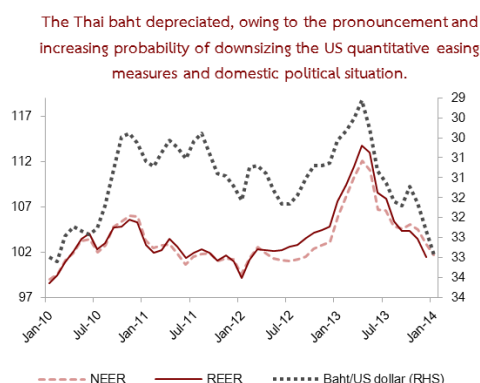
Foreign investors reduced investment weight in domestic debt security market, therefore, their net buy position declined. Bond yield in all maturity declined in line with the lower policy rate.

Capital and financial account in the fourth quarter recorded a net outflow of 7.92 billion US dollars, owing mainly to the net sell of BOT bond and stock by foreign investors.

31.48 and 30.68 baht per US dollar in the previous quarter and the same quarter of 2012 respectively. In the fourth quarter, Thai baht continued to depreciate in response to investor expectation over QE tapering which induce a capital outflow from domestic capital and debt security markets. Furthermore, the FOMC announcement to reduce QE program by 10 billion US dollars per month starting from January 2014 caused investors to further downsize the risky asset investment especially in the emerging market. Furthermore, concerns over the prolonged domestic political disturbance become constraints for future economic prospect and further hammered Thai baht to depreciate throughout the quarter. Overall, Thai baht depreciated by 0.68 percent from the previous quarter following the depreciation of Indonesian Rupiah and Japanese Yen respectively.

Thai baht against trading partner's depreciated when compared to the previous quarter and the same period of last year. At the end of the fourth quarter of 2013, Nominal Effective Exchange Rate (NEER) was at 102.95, depreciated by 1.46 and 0.16 percent compared to the previous quarter and the same period of last year. Similarly, Real Effective Exchange Rate (REER) depreciated by 2.71 and 3.22 percent compared with the previous quarter and the same period of last year respectively.

In 2013, Thai baht appreciated during the first half of the year before rapidly depreciated during the third quarter and remained highly volatile. In 2013, Thai baht averaged in the range of 28.63 - 32.81 baht per US dollar with an average of 30.73 baht per US dollar, appreciated by 1.15 percent compared with the average value in 2012. Meanwhile, NEER and REER increased by 5.14 and 4.78 percent respectively.



Source : Bank of Thailand

In January 2014, Thai baht continued to depreciate with an average of 32.94 baht per US dollar (or depreciated by 1.86 percent). Furthermore, Thai baht hit its lowest point in four years at 33.11 baht per US dollar on January 6, 2014. And the average Thai baht during 1st - 13th of February was at 32.78 baht per US dollar.

Current account in the fourth quarter of 2013 registered a surplus of 5.20 billion US dollars (166.04 billion baht), compared with a deficit of 888 million US dollars (27.35 billion baht) in the previous quarter. This was a result of a trade surplus of 3.85 billion US dollars and a surplus in services, primary income, and secondary income of 1.35 billion US dollars.

In 2013, current account registered a deficit of 2.79 billion US dollars (equivalent to 71.8 billion baht), lower than a deficit of 1.5 billion US dollars (equivalent to 46.4 billion baht) in 2012.

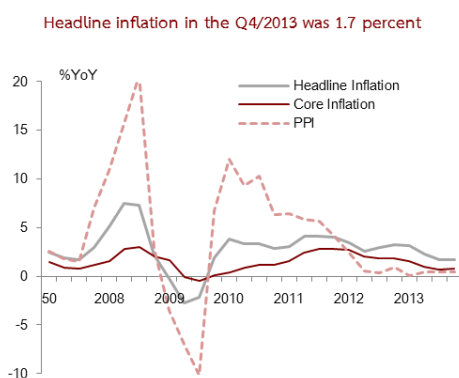
Thai baht depreciated in line with the market expectation and the US's QE tapering as well as the current domestic political disturbance.

Current account registered a surplus.

International reserve at the end of December 2013 stood at 167.23 billion US dollars (excluded net forward position of 22.95 billion US dollars), which was equal to 2.7 times of short-term foreign debt (at the end of the third quarter) or 9.6 months of import value (the average of import value in the fourth quarter of 2013).

Headline inflation in the fourth quarter of 2013 was at 1.7 percent, unchanged from the previous quarter. **Food and beverage price index** increased by 3.2 percent, accelerating from 2.7 percent in the previous quarter as the prices of prepared food, meats, poultry, and fish, eggs, milk and dairy products increased due to higher production and logistics costs. The **non-food and beverage price index increased by 0.9 percent**, decelerating from 1.2 percent in the previous quarter. Such deceleration was due to a slowdown in the crude oil price. The price of energy increased at a slower pace of 2.3 percent, compared with a 3.7 percent expansion in the previous quarter. Moreover, it is owed to a high base of electricity cost following an increase of the FT cost during second half of 2012 at 0.30 baht per unit between June – August 2012, and at 0.48 baht per unit between September – December 2012. FT cost in the last quarter of 2013 also increased slower than the same period last year (FT cost in September – December 2013 was at 0.54 baht per unit). As a result, there was an overall decline in electricity cost. The core inflation was 0.8 percent, compared with 0.7 percent in the previous quarter.⁵

In 2013, headline inflation was at 2.2 percent, slowed down from 3.0 percent in the previous year. Core inflation was at 1.0 percent, compared with 2.1 percent in 2012.



Source: Ministry of Commerce

Producer Price Index (PPI) in the fourth quarter of 2013 remained at the same rate as in the previous quarter but rose by 0.4 percent from the same period of last year. The prices of agricultural products on average increased by 3.0 percent, due to an increase in prices of livestock, fish and other fishing products. Meanwhile, the price of mining products increased by 2.9 percent owing to an increase in the price of lignite, petroleum, and natural gas. The price of manufacturing products declined by 0.2 percent due to a decline in the price of rubber and plastic products.⁶

In 2013, Producer Price Index increased by 0.3 percent, slowing down from a 1.0 percent increase in 2012. The price of agricultural products increased by 4.1 percent, whereas the price of mining and manufactured products declined by 1.9 and 0.4 percent respectively.

International reserve at the end of December 2013 stood at 167.23 billion US dollars.

Headline inflation in the fourth quarter of 2013 was at 1.7 percent.

Producer Price Index in the fourth quarter of 2013 rose by 0.4 percent.

⁵ In January 2014, headline inflation was 1.9 percent, and core inflation at 1.0 percent.

⁶ In January 2014, Producer Price Index increased by 1.2 percent.

2. Crude oil price movement in Q4/2013

The average crude oil price decelerated from the previous quarter. In the fourth quarter of 2013, the average crude oil price in the 4 major markets (Dubai, Oman, Brent and WTI) stood at 105.16 US dollars per barrel, declining from 107.2 US dollars per barrel in previous quarter. In 2013, the average crude oil price (Dubai, Oman, Brent and WTI) stood at 104.52 US dollars per barrel, compared with the average price of 106.10 in 2012. The decline in crude oil price was due to (i) an increase in production capacity of the US, the largest consumer and importer of crude oil, (ii) the gradual recovery of US economy, and (iii) the slowdown of Chinese economy, the second largest consumer of crude oil. As a result, the global demand for crude oil rose slightly, while the appreciation of US dollar reduced speculative demand. Consequently, the crude oil price in 2013 remained steady compared with previous year.

Crude oil price decelerated from the previous quarter due to a slowdown of the global demand.

Crude Oil Price											
Year		US Dollar per Barrel					Growth (%YOY)				
		OMAN	DUBAI	BRENT	WTI	Average	OMAN	DUBAI	BRENT	WTI	Average
2011	Q1	100.75	100.49	105.35	94.00	100.15	32.1	32.5	37.1	19.4	30.2
	Q2	111.08	110.69	116.97	102.43	110.29	41.7	41.6	48.2	31.7	40.8
	Q3	107.47	107.11	113.20	89.71	104.37	45.0	44.9	47.4	18.0	38.8
	Q4	107.10	106.43	109.50	94.13	104.29	26.8	26.2	25.9	10.8	22.4
	Year	106.60	106.18	111.25	95.07	104.78	36.1	36.0	39.3	19.8	32.8
2012	Q1	117.02	116.19	118.50	103.05	113.69	16.1	15.6	12.5	9.6	13.5
	Q2	106.45	106.35	108.55	93.60	103.74	-4.2	-3.9	-7.2	-8.6	-5.9
	Q3	106.55	106.32	109.84	92.09	103.70	-0.9	-0.7	-3.0	2.7	-0.6
	Q4	107.48	107.46	110.19	88.02	103.29	0.4	1.0	0.6	-6.5	-1.0
	Year	109.37	109.08	111.77	94.19	106.10	2.6	2.7	0.5	-0.9	1.3
2013	Q1	108.20	108.19	113.17	94.29	105.96	-7.5	-6.9	-4.5	-8.5	-6.8
	Q2	100.85	100.77	103.31	94.13	99.77	-5.3	-5.2	-4.8	0.6	-3.8
	Q3	106.44	106.30	110.25	105.80	107.20	-0.1	0.0	0.4	14.9	3.4
	Q4	106.87	106.83	109.59	97.36	105.16	-0.6	-0.6	-0.5	10.6	1.8
	Oct.	106.76	106.68	109.74	100.44	105.90	-2.0	-2.0	-1.7	12.3	1.1
	Nov.	105.95	105.96	107.92	93.93	103.44	-1.2	-1.2	-1.6	8.5	0.7
	Dec.	107.89	107.86	111.11	97.72	106.15	1.5	1.5	1.7	11.0	3.6
	Year	105.59	105.53	109.08	97.90	104.52	-3.5	-3.3	-2.4	3.9	-1.5
2014	Jan.	104.05	104.05	107.38	94.74	102.56	-3.6	-3.6	-4.8	0.0	-3.1
	1-12 Feb	103.05	103.06	107.46	98.45	103.01	-7.7	-7.7	-8.4	1.85	-5.8

Source: Thailoil PLC, EPPO

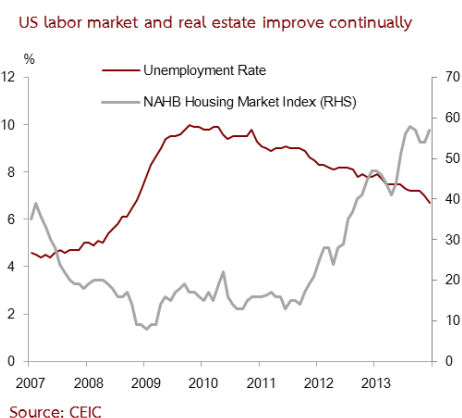
WTI projection in 2014

Institution	WTI Projection (US Dollar / barrel)
Deutsche Bank AG (January 2014)	88.75
EIA (January 2014)	93.00
Barclays (December 2013)	104.80
EIU (December 2013)	100.60

Source: Collected by NESDB

3. The World Economy in Q4 and the Year 2013

- ❑ **US economy** in the fourth quarter (first estimation) grew by 3.2 percent (% QoQ saar), slowing down from 4.1 percent in the previous quarter. This slowdown was mainly resulted from the automatic spending cuts to the central government. Nonetheless, private consumption expenditure remained a key driver to the economy with 3.2 percent growth rate, accelerating from 2.0 percent in the previous period. In addition, the unemployment rate decreased gradually to 6.7 percent in December, the lowest rate since November 2004. The real estate sector also recovered to the pre-crisis level. Overall, in 2013 the US economy grew by 1.9 percent, slowing down from 2.8 percent in 2012 due primarily to the fiscal sequestration, income tax hikes, as well as a delay in the fiscal consolidation and public debts ceiling expansion.



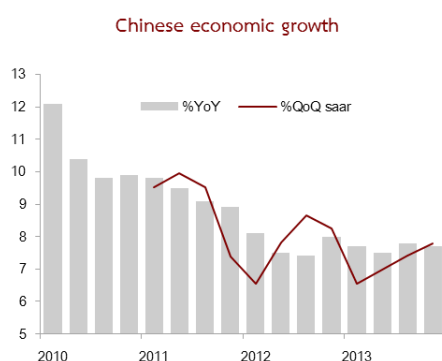
- ❑ **Euro zone economy** in the fourth quarter grew by 0.3 percent compared with the previous period (% QoQ sa), exhibiting the third straight quarters of expansion. Comparing with the same period last year (% YoY), the Euro zone economy rose by 0.5 percent, contributed mainly by net exports. Domestic demand also recovered slowly in line with improved consumer confidence index in December which is higher than its long-term average for the first time in past 31 months. However, deflationary pressure persisted with a decline in inflation rate in the fourth quarter to 0.8 percent from 1.3 percent in the third quarter. Overall, the Euro zone economy in 2013 declined by 0.4 percent, improving to some extent from the contraction of 0.6 percent in 2013.



- ❑ **Japanese Economy** grew by 2.7 percent in the fourth quarter accelerated from the previous quarter, attributed to the speed up in domestic consumption prior to consumption tax hike in April 2014. In addition, the growth was also driven from improved net exports and

manufacturing sector which benefited from continual depreciation of Japanese Yen and the global economic recovery. Healthier economic performance attributed to better business sentiment as reflected in the highest level of Tankan Business Sentiment Index since the 2008 crisis. The inflation rate in the fourth quarter also increased as a result of continual monetary expansionary measures. In all, the Japanese economy in 2013 expanded by 1.6 percent.

- ❑ **Chinese economy** in the fourth quarter expanded by 7.7 percent compared with 7.8 percent in the third quarter. Key growth driving forces were manufacturing and construction sectors, as well as strong domestic demand thanks to government fiscal stimulus measures. Retail sales of consumer products grew by 13.6 percent in the fourth quarter. Nevertheless, private investment experienced somewhat a slowdown. Export value in the fourth quarter expanded by 7.5 percent. In all, the Chinese economy in 2013 grew by 7.7 percent, similar rate to the previous year.



source: CEIC

- ❑ **Newly industrial economies (NIEs).** The South Korea's and Taiwan's economies expanded by 3.9 and 2.9 percent, speeding up from 3.3 and 1.6 percent respectively. These were driven from expansion in private consumption and investment together with strengthened export sector. Nevertheless, the Singapore's economy expanded by 4.4 percent in fourth quarter, lower than 5.9 percent in previous quarter owing to a slowdown in production, construction, wholesale and retail trade, and services sectors. The Economies of South Korea, Taiwan, and Singapore in 2013 were expected to grow by 2.8, 2.2, and 3.7 percent respectively.
- ❑ **ASEAN Economy** in the fourth quarter continued to expand well. **The Indonesian economy** grew by 5.7 percent, similar rate with the third quarter, fueled by strong export growth of 7.4 percent. Nevertheless, the country still faced with large capital outflows leading to the Rupiah depreciation and high inflation rate of 8.4 percent. On average, the Indonesia economy in 2013 grew by 5.8 percent, slightly up from 6.2 percent in 2012. **The Vietnamese economy** in the fourth quarter grew by 6.0 percent, accelerating from 5.5 percent in the third quarter, driven mainly by high export and foreign direct investment upsurge. In 2013, the Vietnamese economy grew by 5.4 percent. **The Philippines economy** achieved better-than-expected growth rate of 6.5 percent, despite facing with the super typhoon Haiyan in November. Main drivers were the service sector and household consumption. The Philippines economy in 2013 grew by 7.2 percent, up from 6.8 percent in the previous year. Meanwhile, **the Malaysian economy** also expanded continually by 5.1 percent in the fourth quarter, fueled by robust service and manufacturing sector. In addition, export value also grew by 2.9 percent. Therefore, Malaysia's economy grew by 4.7 percent in 2013.

4. The World Economic Outlook in 2014

In 2014, the world economy is expected to expand by 3.6 percent, accelerating from 3.1 percent in 2013 driven by a pickup in advanced economies particularly the US economy. The US economy are expected to be fueled mainly by a strong private consumption and a real estate sector recovery. Meanwhile, the Euro zone economy tends to recover modestly from a recession and achieving a positive growth in 2014. However, the Japanese economy tends to slow down due to softened momentum from the stimulus measures and the consumption tax increase introduced in April 2014. Meanwhile, the Chinese economy is likely to slow down due in part to the implementation of economic reform aiming to achieve a more balanced and sustainable growth. Other Asian countries are also likely to improve, buoyed by robust export in line with the recovery of advance economies.

- ❑ **US economy** in 2014 is likely to expand by 2.8 percent, accelerating from 1.9 percent in 2013. Private consumption is likely to be a key driver, thanks to healthier labor market, the pickup in real estate sector, low interest rate, and declined household debts. Meanwhile, the fiscal drag tends to diminish. As a result of the clearer sign of economic recovery, it is expected that the QE tapering will take place continually after announcing two tapers in December 2013 and January 2014.
- ❑ **Euro zone economy** is expected to expand by 1.0 percent in 2014, recovering modestly from a contraction of 0.4 percent in 2013. The recovery benefited from the expansionary monetary policies, the export regaining strength due to the Euro depreciation, as well as the progress in the economic reform which allows a further reduction in budget cuts. At the same time, consumer and business confidences continue to improve in line with the progress in the economic and financial reform. However, the recovery is still going on modest pace due to a high unemployment rate.
- ❑ **Japanese Economy** is expected to grow by 1.4 percent, decelerating from 1.6 percent in 2013. The slowdown is due to the fiscal stimulus withdrawal and the increase in the consumption tax rate from 5 percent to 8 percent to be introduced in April 2014 which is likely to drag private consumption. Nevertheless, export and investment continue to improve.
- ❑ **Chinese economy** in 2014 is projected to decelerate to 7.5 percent, compared with 7.7 percent in 2013. The slowdown will mainly be attributed to the economic stimulus withdrawal and the VAT increase which will affect domestic consumption. Meanwhile, private investment tends to be on deceleration path due to credit tightening measures aiming to rebalance growth and to lower pressures on local government debts. Nevertheless, export sector continues to expand well in accordance with the recovery of the US and the Euro zone economies.
- ❑ **NIEs economy** has clearer signs of recovery. The economy is fueled by a solid export sector in line with the pickup in the US and the Chinese economies, key export markets, as well as the expansion of domestic demand. It is expected that in 2014 the economies of Hong Kong, South Korea, Taiwan and Singapore will grow by 3.4, 3.6, 3.5, and 3.8 percent respectively.

The world economy is expected to expand by 3.6 percent, accelerating from 3.1 percent in 2013 driven by a pickup in advanced economies particularly the US and the EU. However, the Japanese and the Chinese economies tend to slowdown.

- ❑ **ASEAN economy** is expected to improve owing much to a robust export performance. **The Vietnamese economy** is likely to grow by 5.5 percent, similar to the 2013 growth due partly to the progress in resolving NPLs in banking sector which helps improve business sentiment. The global recovery will also benefit the export sector. **The Philippines economy** is expected to grow by 7.5, up from 7.2 percent in 2013, driven by improved household consumption. Meanwhile, investment and spending for rehabilitation of massive destruction from the super typhoon Haiyan help boosting the construction sector of both public and private sectors. **The Malaysian economy** is expected to grow by 4.9 percent, compared with 4.7 percent in 2013. The growth owes to buoyant export in tandem with a pickup in the US and the Euro zone economies. However, **the Indonesian economy** is expected to grow by 5.4 percent, decelerating from 5.8 percent in 2013. This is due mainly to slow growth of exports of crude oil and coal which are in line with their low price levels and softened demand.

5. The Thai Economic Outlook in 2014

The Thai economy is likely to experience a modest recovery in line with a pick up in the global economy which helps boosting exports and eventually supporting economic expansion. Nevertheless, domestic demand appears to face with some constraints from the tendency of the prolonged political situation which exacerbated consumer and business confidences and the delay in key public investment projects. In addition, a delay of new cabinet formation and the government budgeting process for the FY 2015 will be key conditions and constraints for domestic demand expansion. Therefore, the overall economy needs to rely more on export sector. Nevertheless, economic stability remains sound in which that inflation rate remains low while trade and current account tend to improve from last year.

□ Supporting factors

- 1) **The global economy and trade volumes** improve from the growth of 3.1 and 2.7 percent in 2013, to 3.6 and 4.9 percent in 2014. In addition, the Baht currency continues to depreciate from 30.7 Baht per US dollar in 2013 to the average rate of 32.0-33.0 Baht per US dollar in 2014. Altogether, these factors will help export to grow in the range of 5.0 - 7.0 percent, improving from a negative growth of 0.2 percent in 2013 and a low growth of 3.1 percent in 2012.
- 2) Owing to the softened oil and commodity prices in the global market, as well as a slow recovery of domestic demand, **inflationary pressures remain subdued and will provide favourable environment for the implementation of expansionary monetary policies in order to support economic recovery.**

□ Risk factors

- 1) **An expansion of tourism sector** was affected by the current political situation. As of 14th February 2014, 48 countries have issued warning for tourist visiting Thailand, up from 40 countries in December 2013. This resulted in a 0.06 percent growth rate of foreign tourist numbers in January 2014. In case of prolonged political conflicts, the expansion of foreign tourists will be affected in the first half of 2014, and thus the total number of inbound tourists is likely to be lower than the official target of 28 million persons in 2014.
- 2) **Growth contribution from public expenditure is expected to be smaller than previous forecast** due mainly to the fact that (i) the public investment plan will be delayed than previously planned, both investment under the Royal Decree on investment loan for public infrastructure development and the water resource management plan, and (ii) the expected delay in the new government formation will lead to the deferral in fiscal budgeting process of the FY2015, with only partial disbursement taking place during the first quarter of FY2015.
- 3) **The expansion of private demand tends to face with some constraints.** Private consumption have major limitations including (i) An usual high base of car sales in the first half of 2013, (ii) the decline in agricultural prices especially that of rice while there remain uncertainty in the government's subsidies, (iii) the household debts which remained high, (iv) the political situation that possibly dampens consumer confidence (in which that the consumer confidence has continually declined since March 2013), and (v) the recent uplift restriction in loan approval by

The Thai economy is likely to recover modestly in line with a pick up in the global economy. Nevertheless, domestic demand will face with some constraints from the prolonged political situation which exacerbated consumer and business confidences and the delay in key public investment projects.

financial institutions. In addition, private investment also face with some limitations consisting of (i) low production capacity at 60.14 percent in December 2013, (ii) the delay in investment project approval affected by the political problem, (iii) the depreciation of the Japanese Yen, (iv) an uptrend of long-term interest rates, and (v) the six-month decline in investor confidence to remain below 50 due to the political situation while some investors will wait for a clear direction on investment promotion policy and key public infrastructure investment plan.

- 4) Agricultural products will face some downside risks from drought** which is expected to heighten in the second and third quarters of 2014.

❑ Economic projection in 2014

The Thai economy in 2014 is forecasted to grow in the range of 3.0-4.0 percent, compared with 2.9 percent growth in 2013. The headline inflation is expected to be between 1.9-2.9 percent, compared with 2.2 percent in 2013 and the current account is likely to record a deficit of 0.2 percent of GDP, decreasing from a deficit of 0.6 percent in 2013.

In the press release on the 17th February 2014, Office of the National Economic and Social Development Board (NESDB) revises the economic projection downwardly from the previous projection of 4.0-5.0 percent released on 18th November 2013 to the range of 3.0-4.0 percent. The justifications of the revision are as follows:

- 1) Numbers of tourist is expected to be around 27.5 million persons in 2014 (3.0 percent growth), a downward revision from 28.0 million persons in the previous projection's assumption (number of tourists in January grew by only 0.06 percent, compared with high rate of 16.4 percent in January 2013).
- 2) The assumption on public expenditure is revised downwardly including (i) the public investment plan will be delayed than previously planned, both investment under the Royal Decree on investment loan for public infrastructure development and the Water resource management plan, (ii) the expected delay in the new government formation will lead to the deferral in fiscal budgeting process of the FY2015, with only partial disbursement taking place during the first quarter of FY2015, and (iii) the disbursement rate of FY2014 budget is expected to be around 92.0 percent, lower than 95 percent disbursement rate in the previous projection's assumption, compared with the actual disbursement rate of 90.5 percent in the FY2013.
- 3) The expansion of private consumption continues to be affected from an unusual high base and the normalizing trend of domestic car sales. Sales of passenger car in the first and the second quarters of 2013 totaled 210,214 and 158,563 units respectively, compared with the normal trend of 90,000 units per quarter and 119,563 units in the last quarter of 2013. It is estimated that passenger car sales in the first and the second quarters of 2014 will decline by 38-48 percent and 20-30 percent respectively. Moreover, the political situation and the delay in forming the new government will become downside risk to private consumption.
- 4) The recovery of consumer and business confidences remain sluggish and might not become pronounced until the second quarter. This is because of concerns over the political conflicts, a slower-than-expected of domestic demand, as well as imprecise direction of investment policies and key economic measures.

The Thai economy in 2014 is forecasted to grow in the range of 3.0-4.0 percent, compared with 2.9 percent growth in 2013. The headline inflation is expected to be between 1.9-2.9 percent, compared with 2.2 percent in 2013 and the current account is likely to record a deficit of 0.2 percent of GDP, decreasing from a deficit of 0.6 percent in 2013.

- 5) Under the current projection, the downward revisions of other assumptions include: (i) the Dubai crude oil price from the range of 105-110 US dollars per barrel in the previous projection to be 102.5-107.5 US dollars per barrel, and (ii) the exchange rate from average rate of 31.5-32.5 Baht per US dollar to 32.0-33.0 Baht per US dollar.

□ Growth components of the economy in 2014

- 1) Total consumption is projected to grow by 1.6 percent, compared with 1.0 percent in 2013 and 2.9 percent in the previous estimation. This owes to the downward revision of private consumption from 2.7 percent to 1.4 percent in line with the declining trend of passenger car sales in the first half of 2014 and the lower economic growth than the previous projection. Also, the downward revision of public expenditure from 3.8 percent in the previous estimation to be 2.0 percent growth in this projection is due to the adjustment of the budget disbursement assumption.

Key Assumption for Projection

	Actual Data	Actual Data	Projection of 2014	
	2012	2013	Nov 18, 2013	Feb 17, 2014
World Economic Growth (%)	3.3	3.1	3.5	3.6
USA	2.2	1.9	2.5	2.8
EU	-0.6	-0.4	1.0	1.0
Japan	2.0	1.6	1.2	1.4
China	7.8	7.7	7.5	7.5
Exchange Rate (Baht/US dollar)	31.1	30.7	31.5-32.5	32.0 – 33.0
Dubai Crude Oil (US Dollar/Barrel)	108.8	105.0	105.0-110.0	102.5 – 107.5
Export Price (US Dollar) (%)	0.6	-0.5	0.5-1.5	0.5-1.5
Import Price (US Dollar) (%)	1.6	-2.1	0.0-1.0	0.0-1.0
Tourist (Million Person)	22.4	26.7	28.0	27.5

Source: NESDB

- 2) Total investment is likely to grow by 3.1 percent, much improves from a contraction of 1.9 percent in 2013 but lower than a 7.1 percent growth in the previous estimation. The adjustment owes to the downward revision of public investment from 12.0 percent in the previous projection to 0.3 percent in this projection. This is in line with the revised assumption of budget disbursement and the expenditure in the investment plan under the Royal Decree on investment loan for public infrastructure development which is expected to delay and will not be disbursed within 2014. In addition, the expenditure in the investment plan under the Royal Decree on investment loan for water resource management and future development in 2012 is likely to be halted except for some approved projects. The assumption also includes a delay in budgeting process of the FY 2015. Moreover, the private investment growth is revised from 5.8 percent to 3.8 percent.
- 3) Export value of goods in US dollar term is likely to grow in the range of 5.0-7.0 percent, improving from the contraction of 0.2 percent in 2013. Nevertheless, the downward adjustment in the number of inbound tourists will lead the export volume of goods and services to expand by 6.0 percent less than 7.0 percent in the earlier projection.

- 4) Import value of goods in US dollar term is forecasted to increase by 5.7 percent, compared with a negative growth of 0.4 percent in 2013 and a growth of 6.8 percent in the previous projection. Import volume of goods is downwardly revised from 6.2 percent to 5.2 percent in line with a downward revision of investment and consumption which will bring about lower import volume. Together with the adjustment in import of services, import volume of goods and services is projected to expand by 4.6 percent lower from 6.2 percent in the previous projection but improves from 2.3 percent in 2013.
- 5) Current account tends to register a deficit of 0.6 billion US dollars compared with a deficit of 2.8 billion US dollars in 2013 and 2.5 billion US dollars in the previous projection. This owes to an upward adjustment in the trade balance from a surplus of 5.8 billion US dollars to 9.6 billion US dollars in response to the revision of import, and a higher deficit of service account due to the revision of tourist assumption.
- 6) Headline inflation rate is estimated to lie in the range of 1.9-2.9 percent, compared with 2.2 percent in 2013 and 2.7 percent in the previous forecast. This adjustment is due to slower growth of domestic demand compared to the previous estimation, and the downward revision of Dubai crude oil price assumption from 105-110 US dollars per barrel to 102.5-107.5 US dollars per barrel.

6. Economic Management in 2014

The Thai economy in 2014 is likely to expand below its potential despite the clear global economic recovery which will support export to improve from the previous year. However, domestic demand expansion remains constrained by (i) lower than expected off-budget spending, (ii) reduction in annual government budget deficit from FY 2013, (iii) a possible delay in the FY 2015 budgeting, and (iv) a sluggish recovery of household spending. Under such conditions, higher contribution from exports is required to support the economic growth. Therefore, the economic management in 2014 should give priorities on policies as follows:

- 1) **Expediting exports to expand at its full potential** in order to be an income base for supporting domestic demand and to serve as a key engine for the Thai economy. The policies should be emphasized on raising export income from major markets and newly high-potential markets, supporting adjustment of production sector, as well as promoting boarder and interregional trade by facilitating cross-border trade and transport together with facilitations provided for entrepreneurs to penetrate the markets in neighboring countries.
- 2) **Administering the public projects which have already been approved to proceed in the operation stage and to achieve the target of the FY2014 disbursement rate.** Operational plans for the projects which still need to be scrutinized by the new cabinet must be prepared in order to expedite their operations in the latter half of the year. It is also necessary to clarify and address guidelines for public infrastructure investment projects as well as to improve the investment promotion policy and the scrutiny of the pending investment applications for approval.
- 3) **Implementing accommodative monetary policies for the economic recovery including preceding exchange rate from overly volatile, and managing the liquidity in the economy as well as ensuring the access to credit** in particular for SMEs entrepreneurs
- 4) **Preparing for mitigating the impacts from intensified drought conditions** including, for example, providing alternative job opportunity during the drought period and adjustment of production process.

Key economic management in 2014 includes:

- 1) Expediting exports to expand at its full potential.*
- 2) Administering the public projects which have already been approved to proceed in the operation stage and to achieve the target of the FY2014 disbursement rate.*
- 3) Implementing accommodative monetary policies for the economic recovery*
- 4) Preparing for mitigating the impacts from intensified drought conditions.*

Economic Projection for 2014

	Actual Data		Projection 2014	
	2012	2013	18 Nov. 13	17 Feb. 14
GDP (at current prices: Bil. Bht)	11,375	11,897	12,769	12,599
GDP per capita (Bht per year)	167,501	174,319	186,116	183,638
GDP (at current prices: Bil. USD)	366	385	399	388
GDP per capita (USD per year)	5,389	5,647	5,816	5,650
GDP Growth (at constant prices, %)	6.5	2.9	4.0-5.0	3.0-4.0
Investment (at constant prices, %)	13.2	-1.9	7.1	3.1
Private (at constant prices, %)	14.4	-2.8	5.8	3.8
Public (at constant prices, %)	8.9	1.3	12.0	0.3
Consumption (at constant prices, %)	6.8	1.0	2.9	1.6
Private (at constant prices, %)	6.7	0.2	2.7	1.4
Public (at constant prices, %)	7.5	4.9	3.8	2.0
Export volume of goods & services (%)	3.1	4.2	7.0	6.0
Export value of goods (Bil. USD)	225.9	225.4	241.0	241
Growth rate (%) ^{2/}	3.1	-0.2	7.0	5.0 - 7.0
Growth rate (Volume, %) ^{2/}	2.5	0.2	6.0	4.0 - 6.0
Import volume of goods & services (%)	6.2	2.3	6.2	4.6
Import value of goods (Bil. USD) ^{1/}	219.9	219.0	236.0	231.6
Growth rate (%) ^{2/}	8.8	-0.4	6.7	5.7
Growth rate (Volume, %) ^{2/}	7.1	1.7	6.2	5.2
Trade balance (Bil. USD) ^{1/}	6.0	6.4	5.8	9.6
Current account balance (Bil. USD) ^{1/}	-1.5	-2.8	-2.5	-0.6
Current account to GDP (%)	-0.4	-0.6	-0.6	-0.2
Inflation (%)				
CPI	3.0	2.2	2.1-3.1	1.9-2.9
GDP Deflator	1.3	1.7	2.1-3.1	1.9-2.9

Source: Office of the National Economic and Social Development Board, February 17, 2014

Note: ^{1/} Bank of Thailand has adjusted the balance of payments calculation method based on the 6th IMF Balance of Payment and International Investment Position Manual (for more information, see <http://www.bot.or.th/Thai/Statistics/EconomicAndFinancial/ExternalSector/Pages/Newtable.aspx>)

^{2/} per BOT basis.

