

Thai Economic Performance in Q2 and Outlook for 2015

Macroeconomic Strategy and Planning Office

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Economic Projection for 2015

(%YoY)	2014		2015		
	Q4	Year	Q1	Q2	Year (f)
GDP (CVM)	2.1	0.9	3.0	2.8	2.7-3.2
Total Investment	3.2	-2.6	10.7	2.5	6.2
Private	4.1	-2.0	3.6	-3.4	1.8
Public	-0.5	-4.9	37.8	24.7	21.8
Private Consumption	2.1	0.6	2.4	1.5	1.8
Government Consumption	3.6	1.7	3.3	4.6	3.8
Export of Goods	1.5	-0.3	-4.3	-5.5	-3.5
Volume	2.7	0.7	-2.6	-3.8	-2.0
Import of Goods	-5.8	-8.5	-7.2	-10.1	-5.5
Volume	-0.5	-6.8	4.1	-0.3	2.0
Current Account to GDP (%)	8.7	3.3	7.9	4.2	4.8
Inflation	1.1	1.9	-0.5	-1.1	(-0.7)-(-0.2)

□ **The Thai economy in the second quarter of 2015** expanded by 2.8 percent, compared with 3.0 percent growth in the first quarter of 2015. After seasonal adjustment, the Thai economy in the second quarter of 2015 expanded by 0.4 percent from the first quarter (%QoQ SA). In the first half of 2015, the Thai economy grew by 2.9 percent.

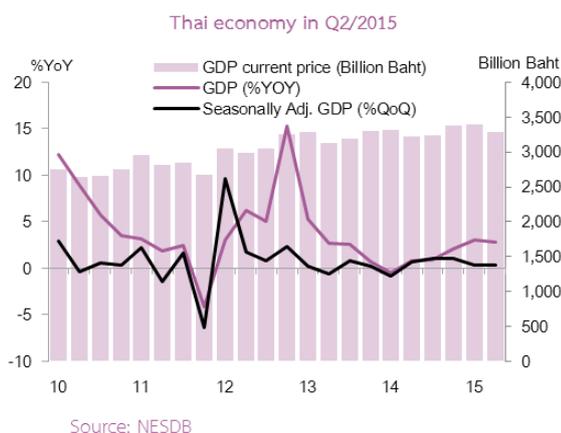
□ **On the expenditure side**, key contributors were from high growth of public investment, export of services particularly in the tourism sector, and the expansion of private and public expenditure, while exports of goods were affected by the global economic slowdown. **On the production side**, hotel and restaurants and construction sector experienced robust growth, as well as other service sectors which continually expanded. The agricultural sector was affected by the drought and the contraction in industrial sector following the decline in the export-oriented industries.

□ **The Thai economy in 2015** is forecasted to grow by 2.7 – 3.2 percent. Economic growth is expected to be contributed by (i) government expenditure and investment which will continue to expand from the first half of 2015; (ii) the remarkable growth of the tourism sector; (iii) the depreciation of the Thai baht which will enhance exporters' revenue in Thai baht term during the second half of 2015; (iv) low crude oil price and inflation which increases purchasing power and allows adequate room for expansionary monetary policy. Nonetheless, the economic growth in the remainder of 2015 will face with major constraints from (i) the lowest global economic growth in three years, especially the Chinese economy which tends to slow down in the second half of 2015, (ii) the depreciation of the currencies of key trading partners, (iii) low agricultural prices in the global market, and (iv) the impact from drought. It is forecasted that export value will decline by 3.5 percent, while private consumption and total investment will grow by 1.8 and 6.2 percent, respectively. The headline inflation is expected to lie in the range of (-0.7) – (-0.2) percent and the current account is likely to register a surplus of 4.8 percent of GDP.

□ **Economic management in 2015** should be emphasized on (i) disbursing the government expenditure and public investment to achieve the target; (ii) implementing financial assistance schemes for farmers, measures for drought mitigation, and measures for SMEs; (iii) solving agriculture production problems by ensuring that the cost of agricultural raw materials to move in line with the decline in import prices and the depreciation of major importers' currencies; promoting cooperative and collective farming for small farmers, and promoting the use of lease agreement on lands in the form of Production Sharing Contract (PSC) instead of fixed rental payment; and (iv) tackling export-related issues, by strengthening collaboration between public and private sectors for seeking new potential markets as well as maintaining the Thai baht to be in line with key trading competitors and partners' currencies; ensuring the raw material prices to move in line with the global market and the exchange rate movement; reducing the delays and constraints imposed by the government's procedure and regulation; and solving human trafficking and illegal fishery problems.

The Thai economy in the second quarter and the outlook for the remainder of 2015

The Thai economy in the second quarter of 2015 expanded by 2.8 percent, compared with 3.0 percent growth in the first quarter of 2015. **The expenditure side** was contributed by the strong growth of public investment, and export of services. Private and public consumption expenditure continued to grow, while export of goods was impacted by global economic slowdown. **On the production side**, hotel and restaurants, construction expanded well, and other service sectors continued to grow. Meanwhile, the agricultural sector was impacted by the drought and the export sector contracted as export fell. After seasonal adjustment, the Thai economy in the second quarter of 2015 expanded by 0.4 percent from the first quarter (%QoQ SA). In the first half of 2015, the Thai economy grew by 2.9 percent, improving from the 0.2 percent growth in the first half of 2014 and from 1.6 percent growth in the second half of 2014.



Thai economy in the second quarter of 2015

1) **Private consumption expenditure** expanded by 1.5 percent. VAT collection (constant price), import of consumer goods and electricity consumption grew by 1.4, 4.7, and 2.4 percent respectively. The sales of passenger cars sales declined. Consumer Confidence Index pertaining the overall economic situation stood at 64.9 in this quarter, compared with the level of 68.4 in the previous quarter.

In the first half of 2015, private consumption expenditure grew by 2.0 percent, improving from a 1.0 percent contraction in the same period last year.

2) **Total investment** grew by 2.5 percent. **Public investment** expanded by 24.7 percent owing to 31.2 and 2.7 percent growth in investment by government and state-owned enterprises respectively. **Private investment** declined by 3.4 percent due to the fall in machinery and equipment investment. Investment in automotive, especially pick-up trucks and commercial vehicles, fell as a result of the change in the model of pick-up vehicles (temporary factor). Investment in construction grew by 2.7 percent, accelerating from 1.8 percent growth in previous quarter. The Business Sentiment Index (BSI) stood at 48.2 compared with 50.3 in the previous quarter.

In the first half of 2015, total investment grew by 6.4 percent. Public investment grew by 30.9 percent, whereas private investment remained steady.

3) **Export value** was recorded at 52.6 billion US dollars – a 5.5 percent contraction. The export volumes declined by 3.8 percent and export price contracted by 1.8 percent mainly due to 5 key factors: (i) the deceleration in key trading partners' economies; (ii) the appreciation of the Thai baht, especially when compared with the Euro and the Yen; (iii) the decline in export prices in line with lower crude oil price and agricultural prices in global market, particularly fuel, chemical products, rubber, and rice; and (iv) the decline in exports of automotive due to the model changing of the pick-up vehicles (temporary factors); (v) the end of Generalized Scheme of Preferences (GSP) for Thai exports to Europe.

The export products recorded an expansion in value including cassava, machinery and equipment, computer, and printed circuits. **The export products with a contraction in value** included rice,

rubber, automotive, petro-chemical products and petroleum products. Exports to major markets such as the US, China and Australia expanded in this quarter, while exports to EU (15), Japan, and ASEAN (9) contracted. Export value (excluding unwrought gold) contracted by 5.7 percent. In baht term, the value of export, recorded at 1,752 billion baht, fell by 3.1 percent.

In the first half of 2015, export value was recorded at 105.7 billion US dollars, which is a 4.9 percent contraction. Export volume decreased by 3.2 percent and export price decreased by 1.8 percent. In baht term, the value of export was recorded at 3,482 billion baht, which is a 3.7 percent contraction.

- 4) **Construction sector** grew by 17.3 percent, accelerating from 23.4 percent growth in the previous quarter, thanks to 25.6 percent growth in public construction. Construction by government grew by 35.6 percent, state-owned enterprises fell by 4.0 percent and the private sector expanded by 2.7 percent.

In the first half of 2015, Construction sector grew by 20.1 percent, with 34.2 and 2.3 percent growth in public and private construction respectively.

- 5) **Hotels and restaurants sector** grew by 18.7 percent, accelerating from 13.5 percent growth in previous quarter. Number of inbound tourists stood at 7.0 million, a 37.6 percent growth, compared with 23.1 percent increase in previous quarter. The number of inbound tourists increased for all regions, except for Europe, Oceania, and Africa. Inbound tourists from East Asia grew as high as 61.9 percent, especially from China, Hong Kong, and Malaysia. Meanwhile, the tourism revenue stood at 323.4 billion baht, increased by 26.6 percent. The average hotel occupancy rate was at 58.5 percent, compared with the rate of 47.3 percent from the same period last year.

In the first half of 2015, Hotels and restaurants sector grew by 16.0 percent

- 6) **Industrial sector** contracted by 0.7 percent. This was due to the decline in the export-oriented industries. However, industries which serve domestic consumption continued to grow. Industries which experienced contraction included automotive, chemical products, hard-disk drives, textile, television and radio equipment, IC, electrical appliances, rubber and rubber products. Industries with positive growth included petroleum products. The capacity utilization rate averaged at 55.5 percent.

In the first half of 2015, Industrial sector grew by 0.9 percent. Manufacturing Production Index (MPI) decreased by 3.7 and the capacity utilization rate averaged at 58.8 percent.

- 7) **The agricultural sector** contracted by 5.9 percent, compared to a 4.7 percent decline in the previous quarter. Production of key agricultural products fell due to the drought during late 2014 and mid-2015. There were also limited amount of rainfall in many parts of the countries. There is a decline in the production of rubber, oil palm and paddy. On the other hand, production of fishery, livestock, and sugarcane increased. The prices of agricultural products continued to decline such as the price of rice, rubber (ribbed smoked sheets 3: RSS 3), oil palm. The decline in production and price of agricultural products cause a 14.2 contraction in farm income this quarter.

In the first half of 2015, agricultural sector decreased by 5.3 percent. The Agricultural Product Index, Agricultural Price Index and farm income dropped by 6.1, 6.5, and 6.1 percent, respectively.

The Thai Economic outlook for 2015

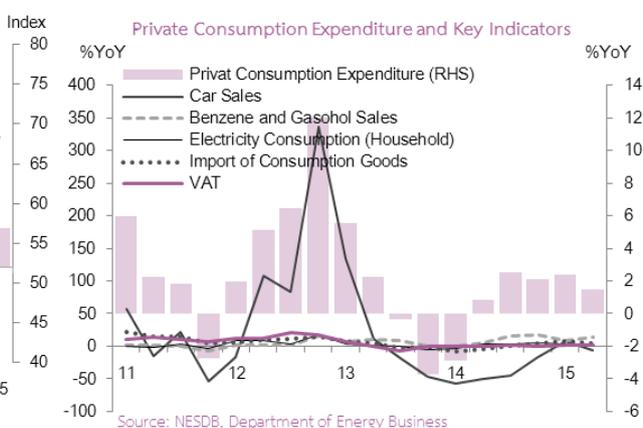
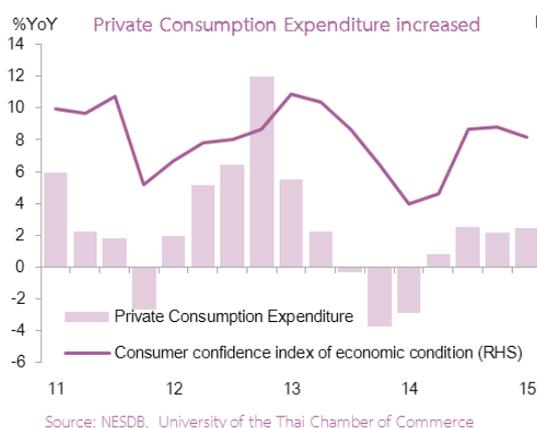
The Thai economy in 2015 is forecasted to grow by 2.7 – 3.2 percent. Economic growth in the latter half is expected to be contributed by (i) government expenditure and investment which will continue to expand from the first half of 2015; (ii) the remarkable growth of the tourism sector, with the expected number of inbound tourism in 2015 to reach 30 million people; (iii) increase in export value in Thai baht term, which helps enhance liquidity for exporters and entrepreneurs in the remainder of 2015, even though exports in US dollar term decline; (iv) low crude oil price and inflation which increases purchasing power and allows adequate room for expansionary monetary policy. Nonetheless, the economic growth in the remainder of 2015 still faces with major constraints from the slowest growth of the global economy in three years, especially the Chinese economy which tends to slowdown in the second half of 2015. Moreover, there are additional constraints from the depreciation of the currencies of key trading partners, low agricultural prices in the global market, and the drought impacts. In all, it is forecasted that export value will decline by 3.5 percent, while private consumption and total investment will grow by 1.8 and 6.2 percent, respectively. The headline inflation is expected to lie in the range of (-0.7) – (-0.2) percent and the current account is likely to register a surplus of 4.8 percent of GDP.

1. The Thai Economy in Q2/2015

□ Expenditure Side:

Private consumption expenditure continued to grow from the previous quarter. In the second quarter of 2015, private consumption expenditure expanded by 1.5 percent, compared with a 2.4 percent increase in the previous quarter as import of consumer goods and electricity consumption grew by 4.7 and 2.4 percent, decelerating from 7.2 and 3.1 percent respectively in the previous quarter. The sales of passenger cars sales and sales of beer, soda and drinking water fell by 6.5, 5.4 and 0.6 percent respectively. Meanwhile VAT collection grew by 1.4 percent, accelerating from 1.0 percent in the previous quarter. Consumer Confidence Index pertaining the overall economic situation stood at 64.9 in this quarter, compared with the level of 68.4 in the first quarter of 2015.

In the first half of 2015, private consumption expenditure grew by 2.0 percent, improving from a 1.0 percent contraction in the same period last year.



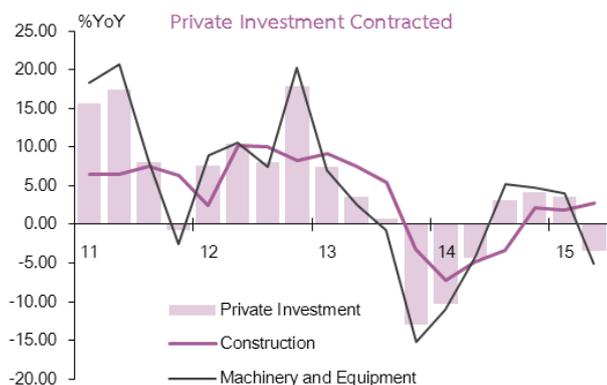
Private investment: contracted, contributed mainly by decline of investment in machinery and equipment. Meanwhile, investment in construction accelerated. In the second quarter, private investment fell by 3.4 percent, compared with a growth of 3.6 percent in the previous quarter. **The machinery and equipment investment** contracted by 5.0 percent, compared with 4.1 percent increase in the previous quarter, which is in line with the decline in import value of capital goods and the sales of commercial cars by 5.6 and 25.6 percent, compared with a contraction of 0.9 and 12.7 percent in the previous quarter respectively. Nonetheless, **Investment in construction** expanded by 2.7 percent, accelerating from 1.8 percent in the previous quarter. Construction area permitted in the municipal and vicinity areas and the sales of cement grew by 4.8 and 1.7 percent compared with a contraction of 20.3 and 1.5 percent in previous quarter respectively. Meanwhile, the **value of projects making application** to the Board of Investment (BOI) for investment incentive stood at 42 billion baht, or a 58.5 percent decline compared with a 86.8 percent fall in the previous quarter. On the other hand, **the number and value of projects approved** by BOI increased by 56.3 and 29.6 percent compared with a 77.8 and 527.9 percent growth in the previous quarter respectively. The Business Sentiment Index (BSI) stood at 48.2 compared with the level close to 50.3 in the previous quarter.

In the first half of 2015, private investment remains steady, with slight improvement compared with a 7.2 percent contraction compared with the same period last year. Investment in construction grew by 2.3 percent and investment in machinery and equipment fell by 0.7 percent.

In the second quarter of 2015, private consumption expenditure decelerated. Private investment and export declined. Meanwhile, export of service and public investment showed a robust growth which continued to support the economic growth.

Private consumption expenditure grew by 1.5 percent, continuing from 2.4 percent in the previous quarter.

Private investment contracted, contributed mainly by decline of investment in machinery and equipment. Meanwhile, investment in construction accelerated.



Source: NESDB

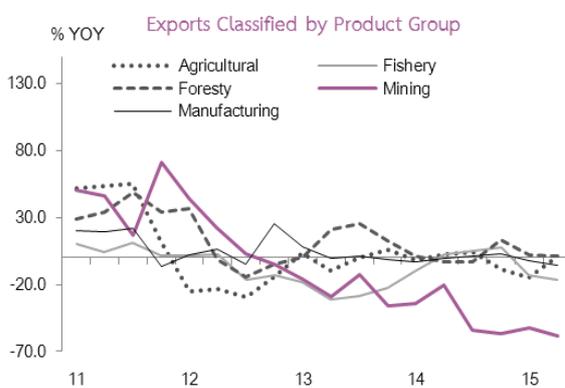
Exports contracted due to the economic deceleration in key trading partners, depreciation of key trading partner' and competitors' currencies, the decline in export prices, temporary impact of the decline in exports of automotive as well as the effect from the end of Generalized Scheme of Preferences (GSP) for Thai exports. Export value in the second quarter of 2015 was recorded at 52.7 billion US dollars – a 5.5 percent contraction, compared with a 4.3 contraction in the previous quarter. The export volumes declined by 3.8 percent and export price contracted by 1.8 percent mainly due to (1) economic deceleration in key trading partners; (2) appreciation of the Thai baht, especially when compared with the Euro and the Yen by 17.2 and 13.7 percent respectively; (3) the decline in export prices which fell with the crude oil price and agricultural prices in global market, particularly fuel (whose price declined by 10.1 percent, with 4.2 percent share of total export), chemical products (by 4.9 percent, with 3.2 percent share), rubber (by 20.3 percent, with 2.1 percent share), rice (by 1.5 percent, with 2.1 percent share), and sugar (by 15.9 percent, with 7.1 percent share); (4) the decline in exports of automotive due to the modified version of the pickup (temporary factors); and (5) the end of Generalized Scheme of Preferences (GSP) for Thai exports to Europe, effective since January 2015. Export value (excluding unwrought gold) contracted by 5.7 percent. In baht term, the value of export, recorded at 1,752 billion baht, fell by 3.1 percent, compared with a contraction of 4.3 percent in the previous quarter.

Export value in US dollars contracted by 5.5 percent. Export volume fell by 3.8 percent, while export price contracted by 1.8 percent. In baht term, the value of export declined by 3.1 percent.

In the first half of 2015, export value was recorded at 105.7 billion US dollars, which is a 4.9 percent contraction, compared with a 0.4 percent contraction in the same period last year. Export volume decreased by 3.2 percent and export price decreased by 1.8 percent. **In baht term**, the value of export was recorded at 3,482 billion baht, which is a 3.7 percent contraction compared with a 8.6 percent growth in the same period last year.



Source: Bank of Thailand



Source: Bank of Thailand

Export of agricultural commodities increased by 0.8 percent, compared with a contraction of 15.2 percent in the previous quarter. This was due to the 6.3 percent increase in the export quantity of agricultural products, especially tapioca, rubber and sugar. However, export prices of key products, such as rice, rubber, sugar and tapioca have decreased continuously, as a result, export prices of agricultural products decreased by 5.2 percent. The export of major agricultural products, including **Rice** the export value fell by 7.4 percent contributed by a 5.7 percent decline in export quantity since producing countries as Vietnam and Pakistan have plenty of rice while Thai's rice price is higher than competitors particularly India and Vietnam and also the export rice price decreased 1.5 percent. The export value of **tapioca** increased by 64.2 percent, contributed by a 76.4 percent increase in export quantity due to the rise in import by China for ethanol production. It is the Chinese government's policy to keep corn stock for domestic consumption and prohibit using corn to produce ethanol. Nonetheless, the export price of tapioca fell by 12.6. Meanwhile, the export value of **rubber** declined by 12.6 percent due to a drop in price by 20.3 percent as stock pile of China who is the main importer remains high. Meanwhile, export quantity of rubber increased by 9.6 percent. Export value of **sugar** declined by 8.2 percent, resulting from a 15.9 percent decline in export price, but export quantity increased by 8.7 percent. **Manufacturing products declined by 5.3 percent compared with a 2.5 percent contraction in the previous quarter due to the slow recovery of the global demand, as well as the decline in export prices which was due to the fall global crude oil price as well as the model upgrade of pick - up truck of major brands.** The quantity of export declined by 3.8 percent, compared with 1.1 percent contraction in the previous quarter. Meanwhile, price of export continued to decline by 1.6 percent, compared with a 1.4 percent contraction in the previous quarter. The export of key manufacturing products fell. For instance, export of automotive (with a share of 13.8 percent of total export value) declined by 3.7 percent, chiefly due to the decline in export of pick-up trucks as major manufacturers are upgrading their truck models. As a result, consumers, especially those in the Middle-East, delay their order to wait for the new models. The export of passenger cars, on the other hand, grew by 7.1 percent, owing to the growth of Eco-car export to European countries. Meanwhile, export of chemicals, Petroleum products and Petro-chemical Products continued to contract by 21.4, 17.7, and 12.7 percent respectively as the export prices remain low due to the decline of crude oil price. Nevertheless, export of Computer, Printed circuits, and Machinery & Equipment grew by 24.8, 17.3, and 1.7 percent. The export value of fishery products declined by 16.5 percent. The key products whose export value declined include Crustaceans, Cuttlefish, squid, octopus. **Other export products** increased by 4.6 percent as a result of the 6.0 percent increase in the export of Non-monetary gold.

Export value of agricultural commodities and other goods increased, but Manufacturing and fishery products declined.

Export Value of major product

%YoY	2013	2014							2015			Shared
	Year	ทั้งปี	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Q2/15
Agriculture	0.0	-1.3	0.1	-2.7	-2.0	2.6	4.4	-8.6	-7.8	-15.2	0.8	7.7
Rice	-4.6	23.0	12.6	32.6	4.6	21.5	25.2	39.3	-6.3	-5.1	-7.4	2.1
Rubber	-5.9	-26.9	-19.1	-34.7	-15.5	-24.0	-24.8	-42.1	-26.9	-36.1	-12.6	2.1
Tapioca	18.1	13.5	21.8	6.7	26.9	14.2	15.5	-0.2	22.8	-2.7	64.2	1.6
Manufacturing	1.8	0.1	-1.8	1.9	-3.1	-0.5	0.9	3.0	-3.9	-2.5	-5.3	88.6
Sugar	-27.2	-4.2	-29.2	43.3	-28.3	-29.8	13.3	93.3	-4.4	1.2	-8.2	1.4
Crustaceans canned, prepared, or preserved	-19.5	-13.8	-19.7	-9.1	-25.2	-13.8	-11.8	-6.5	-11.3	-4.6	-17.5	0.4
Rubber Products	-2.2	-10.0	-14.2	-5.7	-14.9	-13.4	0.1	-10.9	-15.2	-20.6	-9.4	1.8
Apparels and textile materials	3.6	-0.3	-0.2	-0.3	-1.3	0.9	-0.4	-0.2	-7.6	-6.2	-8.9	3.3
Electronics	-0.8	1.8	-1.0	4.4	-0.4	-1.7	2.4	6.5	-1.4	-0.0	-2.6	14.6
Computer parts & accessories	-5.7	-2.0	-4.6	0.5	-3.2	-6.0	0.0	1.0	-3.7	-4.6	-2.8	6.7
Integrated circuits & parts	7.6	4.1	3.1	5.0	5.2	1.3	1.1	9.3	2.1	4.5	-0.1	3.4
Printed circuits	53.7	32.0	29.7	33.7	36.7	24.0	33.3	34.0	21.9	26.9	17.3	0.6
Electrical Appliances	2.3	4.3	4.6	4.0	7.2	2.0	0.1	8.1	-2.0	-0.6	-3.5	5.8
Metal & Steel	-4.4	-10.9	-21.9	3.0	-34.2	-5.5	-0.9	7.4	-2.1	4.7	-8.4	4.2
Iron & steel	7.6	0.1	0.7	-0.5	3.0	-1.6	-3.9	3.3	0.7	4.9	-3.7	13.8
Passenger car	16.6	-1.6	-3.9	0.8	-8.0	0.5	-8.6	12.4	7.6	8.0	7.1	3.3
Trucks	0.7	-2.3	-0.1	-4.4	6.8	-6.9	-8.3	-0.3	-5.9	5.2	-18.4	3.7
Machinery & Equipment	4.0	8.5	8.9	8.1	7.8	9.9	7.8	8.4	2.7	3.8	1.7	9.3
Chemicals	7.6	-6.0	-7.3	-4.7	-7.3	-7.3	-2.3	-7.2	-22.5	-23.5	-21.4	3.2
Petro-chemical Products	5.3	7.5	8.2	6.8	5.3	11.2	6.8	6.8	-11.3	-9.9	-12.7	5.5
Petroleum products	-1.3	-11.9	-8.2	-14.9	-15.5	-0.0	-7.2	-22.5	-22.3	-27.2	-17.7	4.2
Fishery	-25.4	1.4	-3.7	6.3	-9.4	2.3	4.7	7.8	-15.0	-13.4	-16.5	0.8
Crustaceans	-33.4	-5.3	-17.6	5.6	-27.1	-6.1	-1.3	12.2	-14.4	-10.6	-18.1	0.3
Other Exports	-44.5	-12.2	91.1	-58.4	277.9	13.5	-77.4	-7.1	-16.0	-30.8	4.6	2.0
Non-monetary gold (excl. articles of goldsmiths)	-50.1	-15.6	119.0	-67.3	469.3	14.3	-85.4	-12.6	-16.5	-31.5	6.0	1.6
Total Exports (Customs basis)	-0.3	-0.4	-0.7	-0.2	-1.4	-0.0	-1.8	1.6	-4.8	-4.7	-5.0	100.0
Exports, f.o.b. (BOP basis)	-0.1	-0.3	-0.4	-0.2	-1.1	0.3	-1.8	1.5	-4.9	-4.3	-5.5	98.4

Source: BOT

Export markets: exports to major markets such as the US China and Australia expanded in this quarter, while exports to EU (15), Japan, and ASEAN (9) contracted. Exports to the US and Australia grew by 2.6 and 9.2 percent, decelerating from 5.6 and 9.5 percent in the previous quarter respectively. Moreover, export to China recorded a growth for the first time in 6 quarters, expanding by 1.2 percent compared with 14.4 percent contraction in the previous quarter. Meanwhile, Exports to EU (15), and Japan fell by 8.4 and 3.8 percent respectively since the Japanese and the Eurozone recovered slowly, and Thai baht appreciated compared to the Yen and the Euro. Export to ASEAN (9) fell by 5.9 percent. This was mainly due to the fall in export to ASEAN (5), especially Malaysia and Indonesia. The export to CLMV, however, grew by 5.5 percent, decelerating from 10.6 percent growth in the previous quarter. Meanwhile, export to Hong Kong and the Middle East contracted by 9.0 and 2.16 percent respectively.

Exports to major markets such as the US, China, and Australia expanded in this quarter, while exports to EU (15), Japan, and ASEAN (9) contracted.

Export Value of major country

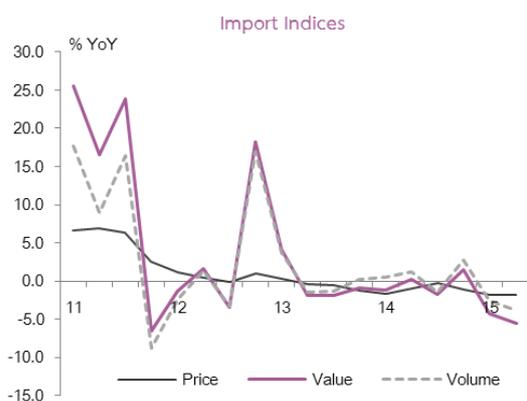
(%YOY)	2013	2014							2015			Shared Q2/15
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	
United States	0.7	4.1	2.8	5.3	0.6	4.9	3.4	7.2	4.1	5.6	2.6	11.3
Japan	-5.2	-2.2	-2.9	-1.6	0.7	-6.4	-1.2	-1.9	-6.6	-9.2	-3.8	9.6
EU (15)	3.4	4.7	7.8	1.8	4.8	10.9	2.0	1.7	-6.2	-3.9	-8.4	9.1
China	1.4	-7.9	-4.3	-11.1	-4.5	-4.2	-6.3	-15.3	-7.0	-14.4	1.2	11.1
Australia	6.0	-10.1	-18.9	-1.2	-17.4	-20.3	-14.4	14.6	9.4	9.5	9.2	4.2
ASEAN (9)	5.0	0.2	-2.7	3.1	-5.4	-0.1	1.1	5.1	-4.2	-2.4	-5.9	26.5
ASEAN (5)	1.8	-4.9	-7.5	-0.2	-6.2	-12.9	-3.3	4.4	-10.7	-3.9	-1.5	14.5
Brunei	-12.9	-14.2	-10.8	-17.9	15.0	-29.9	-23.4	-12.1	-29.1	-24.2	-35.0	0.0
Indonesia	-3.0	-12.5	-18.8	-4.5	-19.7	-17.8	-10.8	3.4	-18.1	-15.4	-20.6	3.8
Malaysia	4.7	-1.9	-0.8	-3.0	-0.1	-1.4	-5.0	-1.0	-16.5	-14.6	-18.3	5.0
Philippines	3.6	16.6	14.0	18.9	13.0	14.9	17.4	20.4	1.9	7.4	-3.4	2.5
Singapore	3.7	-7.0	-12.0	-2.2	-23.9	0.5	-6.6	3.6	-2.2	-5.4	0.3	5.1
CLMV	10.7	9.3	7.9	9.9	7.0	8.8	13.6	6.7	8.0	10.6	5.5	10.2
Cambodia	12.7	6.3	9.1	3.5	14.5	4.4	1.9	4.8	6.5	16.0	-2.6	2.2
Laos	4.7	7.3	4.9	9.8	1.7	8.4	9.3	10.3	2.8	1.2	4.4	2.0
Myanmar	21.2	11.9	11.3	12.6	7.6	15.3	21.3	5.1	-0.9	2.3	-4.2	1.9
Vietnam	10.8	9.7	6.9	12.1	5.1	8.6	18.3	6.9	17.4	18.1	16.7	4.1
Hong Kong	0.7	-4.4	-0.1	-8.4	-1.8	1.7	-13.5	-1.8	-10.3	-11.5	-9.0	5.2
Middle East	0.3	0.2	4.8	-4.5	2.6	7.2	-6.0	-2.9	-14.6	-7.9	-21.6	4.4
Korea, South	-4.0	-1.5	-8.4	6.7	-13.3	-3.9	11.7	1.8	-8.7	0.6	-16.4	2.0

Source: BOT

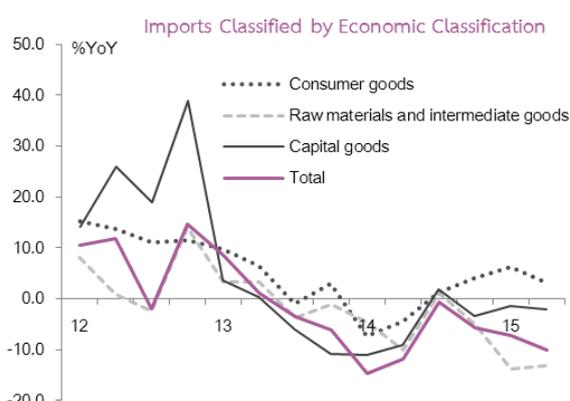
Imports contracted as the import value of crude oil declined with the global prices. In the second quarter of 2015, the value of import was recorded at 44,810 million US dollars, representing a decline of 10.1 percent, compared with a 7.2 contraction in the previous quarter. This was mainly due to the decline of import price which fell by 9.7 percent as the prices of crude oil, petroleum products, and chemical products fell. Meanwhile, Import quantity fell by 0.4 percent owing to the decline in the import of other goods, especially gold (only 23,705 kg. imported this quarter, lowest level in 19 quarters or a 37.3 percent decline). However, the import quantity of consumer goods, raw materials and intermediate goods, and capital goods increased by 4.7, 1.4, and 0.9 percent respectively. With unwrought gold excluded, the value of import contracted by 9.1 percent. Import value excluding unwrought gold and crude oil contracted by 4.7 percent. In Thai baht term, the value of import was recorded at 1,491 billion baht, or a contraction of 7.9 percent compared with a 7.3 percent decline in the previous quarter.

In the first half of 2015, the value of import was recorded at 90,382 million US dollars, representing a decline of 8.7 percent. The quantity of import grew by 1.8 percent, whereas the price of import declined by 10.3 percent. **In Thai baht term,** the value of import was recorded at 2,978 billion baht, representing a decline of 7.6 percent.

The value of import in US dollar term declined by 10.1 percent due to the decline of import price. However, the import quantity of key categories increased, including consumer, raw materials and intermediate and capital goods.



Source: Bank of Thailand



Source: Bank of Thailand

Overall, there was a decline in import value of raw materials and intermediate goods, capital goods and other imports, but import of consumer goods continued to increase for the 4th consecutive quarters. **The import value of raw materials and intermediate goods** declined by 13.2 percent due to a 14.4 percent decline in import price (but import quantity increased by 1.4 percent). The goods whose import decreased include crude oil, petroleum products, chemical products and printed circuits. Nonetheless, there were import items whose value increased, including parts of electrical appliances and Computer parts & accessories. **The import value of capital goods** declined by 2.0 percent, owing to the 2.9 percent decline in import price. Meanwhile, import quantity increased by 0.9 percent. Goods with a contraction in import value included computers, Telecommunication equipment, and other machinery and mechanical appliances & parts. Goods with a growth in import value included Power-generating machinery and parts, floating structures and Aircrafts. **The import value of consumer goods** increased by 3.2 percent, with a 4.7 percent increase in import quantity and a 1.4 percent decline in import price. The import items with a growth in value included medicinal and pharmaceutical products, household electrical appliances, textiles, and jewellery (excl. pearls & precious stones). **The value of other imports** decreased by 16.3 percent, especially the import of non-monetary gold which was recorded at 902 million US dollars, representing a decline of 41.7 percent.

There was a decline in import value of raw materials and intermediate goods, capital goods and other imports due to the fall of import prices, but import of consumer goods continued to increase.

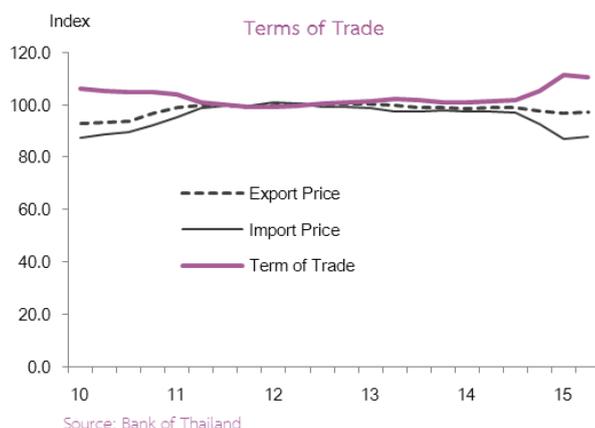
Import Value of major product

%YoY	2013	2014							2015			Shared Q2/15
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	
Consumer goods	4.4	-1.7	-5.9	2.6	-7.3	-4.5	1.1	4.0	4.8	6.3	3.2	9.6
Medicinal and pharmaceutical products	1.1	3.1	0.7	5.4	-7.5	9.8	5.7	5.1	13.9	23.8	4.7	1.2
Toiletries and cosmetics	11.2	-0.4	-5.2	4.6	-7.8	-2.6	-2.8	13.0	10.4	9.7	10.9	1.0
Textiles	0.0	4.3	2.6	6.0	5.9	-0.6	2.4	9.9	2.4	2.4	2.4	0.9
Raw materials and intermediate goods	0.5	-4.9	-7.7	-1.9	-4.7	-10.5	1.1	-5.0	-13.5	-13.9	-13.2	57.5
Crude oil	9.8	-15.6	-12.6	-18.8	-4.3	-20.0	-5.2	-30.4	-38.9	-47.6	-29.6	11.7
Natural Gas	16.6	-5.6	-11.4	0.5	-6.4	-14.4	-3.9	4.8	13.6	51.8	-11.9	2.3
Petroleum products	10.2	27.8	32.9	22.0	42.3	25.1	35.2	4.8	-47.6	-49.5	-45.7	2.4
Materials of base metal	-5.0	-5.8	-17.3	8.1	-19.2	-15.5	7.6	8.6	-7.3	-1.8	-12.6	8.2
Chemicals	-2.1	-2.1	-2.6	-1.6	3.3	-7.6	-4.5	1.8	-7.7	-9.9	-5.5	6.2
Plastic	-4.5	0.7	-1.1	2.5	-0.9	-1.3	3.8	1.1	2.9	8.2	-2.2	3.6
Parts of electrical appliances	-1.6	-11.4	-12.9	-10.0	-5.8	-19.0	-15.7	-3.7	13.7	14.8	12.7	1.3
Computer parts & accessories	-12.3	-5.9	-13.4	2.0	-16.8	-9.4	-1.0	4.8	0.0	-0.9	1.1	2.0
Integrated circuits & parts	0.4	5.2	-1.2	11.5	3.6	-5.4	6.7	16.6	4.2	9.2	-0.6	4.5
Capital goods	-3.5	-5.5	-10.1	-0.8	-11.1	-9.2	1.9	-3.5	-1.7	-1.5	-2.0	25.9
Computer	-1.2	-8.9	-17.4	1.3	-24.3	-9.5	4.1	-1.7	-9.8	-13.6	-6.2	1.0
Telecommunication equipment	5.3	5.9	4.5	7.1	-1.1	10.0	-1.4	14.2	-1.7	10.4	-12.5	3.4
Transformers, generators, motors, and accumulators	-18.1	13.3	10.6	15.8	4.1	17.5	18.3	13.2	-8.3	-3.5	-12.8	1.9
Other machinery and mechanical appliances & parts	-13.0	-6.1	-6.3	-6.0	-9.8	-2.6	-5.4	-6.6	-9.9	-8.7	-11.1	9.8
Aircrafts	105.9	-31.9	-64.7	6.9	-27.9	-89.5	85.4	-39.5	77.9	-2.7	452.8	1.6
Ships' derricks / cranes / floating structures	9.6	-38.3	-33.0	-44.2	-47.4	-22.3	-29.1	-73.2	20.5	42.9	9.3	1.3
Other Imports	6.7	-39.8	-52.0	-22.7	-60.3	-39.5	-23.0	-22.3	3.3	23.2	-16.3	7.0
Non-monetary gold (excl. articles of goldsmiths)	21.6	-56.1	-72.2	-28.0	-82.5	-51.8	-22.2	-34.3	17.6	100.1	-41.7	1.8
Total Imports (Customs basis)	0.5	-9.0	-14.2	-3.5	-15.4	-12.9	-1.3	-5.6	-7.9	-6.4	-9.4	100.0
Imports, f.o.b. (BOP basis)	-0.1	-8.5	-13.3	-3.3	-14.7	-11.8	-0.8	-5.8	-8.7	-7.2	-10.1	87.1

Source: BOT

Term of trade improved as export price decreased by 1.8 percent while import price decreased by 9.7 percent, thus the term of trade became 110.6 in the second quarter of 2015 compare with 101.6 in the same in the same quarter of last year.

In the first half of 2015, Term of Trade stood at 111.0, compared with 101.4 in the same period in previous year. Export price decreased by 1.8 percent while import price decreased by 10.3 percent.



Trade balance recorded a surplus for the eighth consecutive quarters. The trade balance in the second quarter of 2015 recorded a surplus of 7,847 million US dollars (equivalent to 261,850 million baht), compared with a surplus of 7,425 million US dollars (equivalent to 242,286 million baht) in the previous quarter.

In the first half of 2015, the trade balance recorded a surplus of 15,272 million US dollars (equivalent to 504,136 million baht), compared with a surplus of 12,176 million US dollars (equivalent to 395,549 million baht) in the same period last year.

□ Production Side

Agricultural sector continuously contracted following a decrease in production of major agricultural products due to the draught, decline in price, and reduction in plantation area. In the second quarter of 2015, the sector contracted by 5.9 percent, continuously dropped from a 4.7 percent contraction in the previous quarter. This was in line with a 8.9 percent contraction of agricultural production index. This was due to: (i) a decrease in the irrigation water for agriculture in four major dams of (Bhumibol, Sirikit, Kwae Noi, and Pasak Jolasid), resulted in a 38.4 percent contraction of off-season paddy production (continually contracted from a 27.3 percent drop in the previous quarter), (ii) an unfavorable weather that caused less rubber production to declined by 9.9 percent, and (iii) a severe draught which caused oil palm production to decreased by 7.0 percent. However, fishery production expanded by 5.8 percent as shrimp production has recover from the EMS outbreak. In addition, livestock and sugar cane production expanded by 5.2 and 10.2 percent, respectively. **Agricultural Price Index** continued to drop for six consecutive quarters by 5.8 percent, particularly in major agricultural products including paddy (0.2 percent), rubber (ribbed smoked sheets 3: RSS 3) (17.2 percent), sugar cane (11.6 percent), white shrimp (16.9 percent), and livestock products (8.3 percent). These were caused by (i) increase in price competition in global rice market, (ii) a decrease in sugar prices following an increase in supply and depreciation of Brazilian Real (the largest sugar exporter), (iii) a decrease in rubber price due to a lower demand while supply in global market remain high, (iv) an increase in domestic and global shrimp production particularly from Indonesia, India, Ecuador and Vietnam, and (v) a decline in price of chicken

Term of trade improved as import price fell more than export price.

Trade balance recorded a surplus.

Agricultural production was affected by severe draught and low price situation. Similarly, industrial production slightly dropped following a contraction in export volumes and a shift toward new model car. Nevertheless, service sector continued to expand and became one of the major drivers to economic growth.

meat, egg, and swine as supply increased. All in all, a drop in agricultural prices and production caused farmer income to contracted by 14.2 percent, compared to a contraction of 10.6 percent in the first quarter.

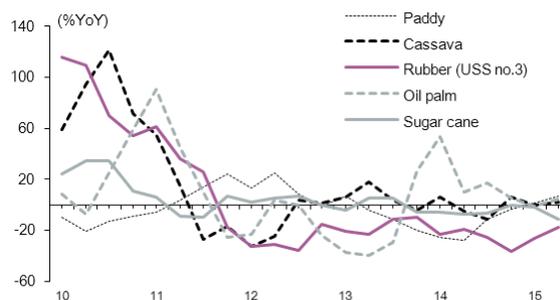
In the first half of 2015 agricultural sector contracted by 5.3 percent. Furthermore, Agricultural Production Index, Agricultural Price Index, and farmer income contracted by 6.1, 6.5, and 6.1 percent, respectively.

Farmer income declined by 14.2 percent following a contraction in agricultural production and price



Source : OAE

The prices of cassava and oil palm increased, while paddy, rubber and sugar cane declined



Source : OAE

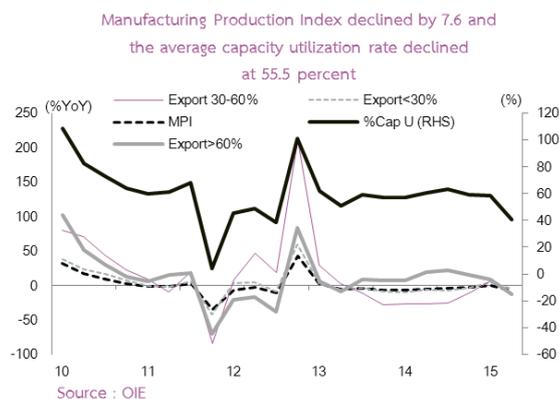
Agricultural sector contracted by 5.9 percent following a decrease in production of major agricultural products. Likewise, Agricultural Price Index continued to decline by 5.8 percent. Thus, farm income dropped by 14.2 percent.

Industrial sector contracted following a drop in production of export-oriented industries while production of domestic-oriented industries expanded. In the second quarter, industrial sector contracted by 0.7 percent, dropped from an expansion of 2.3 percent in the first quarter. This was in line with a 7.6 percent decrease in Manufacturing Production Index (MPI), compared with a 0.1 percent increase in the previous quarter. The export-oriented industries (with export share of more than 60 percent to total production) continued to drop by 15.0 percent for three consecutive quarters, especially in television and radio equipment, and office appliances. This was due to declining exports in line with sluggish global demand. Likewise, production of industries with export share of 30-60 percent to total production declined by 6.3 percent, following a shift in production line for new car model. Furthermore, production of industries with export share of less than 30 percent to total production slightly expanded by 2.4 percent, slowed down from 5.0 percent expansion in the previous quarter which is in line with a slowdown in household consumption.

In details, industries with positive growth included petroleum products (16.8 percent). Industries which experienced contraction included vehicles (8.1 percent), television and radio equipment (14.0 percent), hard disk drive (22.5 percent), machinery and parts (0.1 percent), food and beverages (0.8 percent), chemical products (0.1 percent), rubber and plastic products (2.6 percent), tobacco (30.0 percent), textiles (4.0 percent), clothing (3.6 percent), leather products (9.9 percent), transporting equipment (15.1 percent) and furniture (20.0 percent). This was in line with the declined in capacity utilization rate (CAPU) which stood at 55.5 percent, compared to 62.1 percent in the previous quarter and 59.5 percent in the same period of last year.

In the first half of 2015 industrial sector expanded by 0.9 percent, Manufacturing Production Index (MPI) contracted by 3.7 percent and the average capacity utilization rate stood at 58.8 percent.

Industrial sector contracted by 0.7 percent following a drop in export volumes of the export-oriented industries while domestic-oriented industries expanded.



Construction sector expanded in both public and private sector. In the second quarter, construction sector expanded by 17.3 percent, compared to a 23.4 percent growth in the previous quarter. In details, public construction rose by 25.6 percent, decelerated from a 44.2 percent increase in the previous quarter. Furthermore, government construction expanded by 35.6 percent which was in line with a continual increase in government budget disbursement, while the state own enterprise construction contracted by 4.0 percent. The private construction continuously rose by 2.7 percent, accelerated from 1.8 percent growth in the previous quarter owing to an increase in demand for condominium residency in Bangkok and vicinities areas as well as an expansion in factory building. This was in line with a 1.7 percent increase in cement sale volumes. However, construction materials prices continuously dropped by 4.4 percent due to (i) a contraction in energy cost and raw materials price, and (ii) a decrease in steel price as global supply remain high.

In the first half of 2015 construction sector remarkably improved by 20.1 percent comparing with a 7.6 percent contraction in the same quarter of last year. Public construction rose by 34.2 percent and private construction grew by 2.3 percent.

Real estate sector continued to expand in both demand and supply. In the second quarter, real estate sector expanded by 2.5 percent, compared to a 2.7 percent expansion in the previous quarter. **On demand side**, personal housing credit expanded by 11.6 percent. **On supply side**, real estate development credit and new housing projects launched continued to rise by 9.1 and 5.6 percent, respectively. **In price**, overall prices increased, particularly for land, townhouse with land and condominium increased by 10.1, 7.5, and 7.4 percent, respectively.

In the first half of 2015 the sector improved by 2.6 percent, compared with a 0.8 percent decrease in the same period last year.

Hotel and restaurants sector accelerated following an improvement in tourism sector, particularly in tourist number, revenue, and average occupancy rate. In the second quarter of 2015, Hotel and restaurants sector continued to expand by 18.7 percent accelerated from 13.5 percent in the previous quarter. Number of inbound tourists stood at 7.0 million persons or grew by 37.6 percent, accelerated from 23.1 percent in the previous quarter. Furthermore, the hike in inbound tourist was from all most of the region (except Europe, Oceania, and Africa). The number of tourists from East Asia (which accounted for 71.6 percent of inbound tourist) grew by 61.9 percent, particularly from China (133.9 percent), Hong Kong (72.2 percent), and Malaysia (59.5 percent). However, tourists from Europe, Oceania and Africa contracted by 9.0, 4.2, and 0.1 percent, respectively. The tourism revenue amounted to 323.4 billion baht increased by 26.6 percent from the same period of last year. The average occupancy rate was at 58.5 percent, compared with 47.3 percent in the same period last year.

In the first half of 2015, Hotel and restaurants sector remarkably increased by 16.0 percent compared with a 4.6 percent decrease in the same period last year.

Construction sector expanded 17.3 percent following an increased in public and private construction of 25.6 and 2.7 percent, respectively.

Real estate sector expanded by 2.5 percent in both demand and supply. Overall prices grew, particularly in land, townhouse with land and condominium.

Hotel and restaurants sector expanded 18.7 percent following an improvement of tourism sector. Number of inbound tourists grew by 37.6 percent. The revenue from tourism sector increased by 26.6 percent.

Number of inbound tourists stood at 7.0 million persons or grew by 37.6 percent



Source: Department of tourism

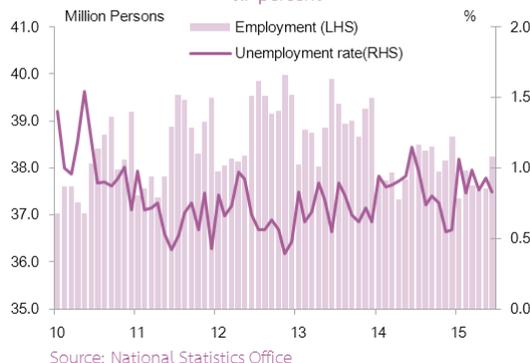
Wholesale and retail trade sector expanded in line with an improvement in tourism sector which resulted in an acceleration of trading in department stores. In the second quarter of 2015, wholesale and retail trade sector expanded by 3.7 percent compared to a 4.1 percent expansion in the previous quarter. **For wholesale trade**, the wholesale trade index of agricultural materials, fuel, and machinery and devices increased by 28.4, 6.2, and 61.8 percent, respectively. While food, and construction materials dropped by 19.1 and 3.8 percent, respectively. **For retail trade**, the retail trade index in department store rose by 9.3 percent, while food and beverage, as well as vehicle and fuel decreased by 33.3 and 6.0 percent, respectively.

In the first half of 2015 wholesale and retail trade increased by 3.9 percent, compared to 0.7 percent decrease in the same period last year.

Employment slightly dropped following a decrease in agricultural employment, while non-agricultural employment rose and unemployment remained low. In the second quarter of 2015, employment dropped by 0.2 percent following a decline of 5.8 percent in agricultural employment. This was due to unfavorable prices and weather for agricultural production. However, non-agricultural employment rose by 2.6 percent, particularly in hotel and restaurant as well as in wholesale and retail trade which increased by 3.6 and 2.0 percent, respectively. This was in line with an improvement of tourism sector. Furthermore, employment in industrial sector expanded by 3.0 percent, particularly in food, computer, electronic and device, and furniture industry. Unemployment in this quarter was at 336,080 persons or dropped by 12.9 percent from the same period of last year. The unemployment rate was low at 0.9 percent.

In the first half of 2015, employment contracted by 0.3 percent and the unemployment rate was at 0.9 percent.

Employment declined by 0.2 percent following a decline in agricultural employment, while unemployment rate was low at 0.9 percent



Source: National Statistics Office

Wholesale and retail trade sector expanded 3.7 percent following the expansion of wholesale and tourism sector which resulted in continual growth of trading in department stores.

The employment dropped by 0.2 percent following a decrease in agricultural employment. However, non-agricultural employment rose. The unemployment rate was at 0.9 percent.

Employed Persons by Industry

%YOY	2013	2014							2015		
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
Employed (100%)	-0.1	-0.4	-0.8	0.1	-0.4	-1.2	0.3	-0.1	-0.3	-0.5	-0.2
- Agricultural (30.9%)	-0.2	-2.4	-1.0	-3.6	1.0	-2.9	-2.2	-4.9	-5.1	-4.4	-5.8
- Non-Agricultural (69.1%)	0.0	0.7	-0.7	2.1	-1.0	-0.3	1.7	2.5	1.9	1.3	2.6
Manufacturing (17.3%)	0.8	1.6	0.5	2.7	-0.8	1.9	1.0	4.4	2.1	1.2	3.0
Construction (6.5%)	2.0	-5.0	-6.8	-2.8	-7.2	-6.4	-3.0	-2.5	2.2	1.9	2.5
Wholesale (16.6%)	0.2	-0.2	-2.1	1.8	-1.5	-2.7	3.2	0.4	-0.3	-2.6	2.0
Hotel and Restaurant (7.0%)	-0.3	1.2	-1.9	4.7	-2.0	-1.9	4.6	4.7	3.0	2.3	3.6
Unemployment	2.8	3.2	3.6	2.8	3.4	3.9	3.3	2.4	3.5	3.6	3.4
Unemployment Rate (%)	0.7	0.8	0.9	0.7	0.9	1.0	0.8	0.6	0.9	0.9	0.9

Source: NSO

□ Fiscal Conditions

On the revenue side, in the 2nd quarter of the fiscal year 2015 (April - June 2015) the net government revenue collection stood at 653,919.1 million baht, higher than the same quarter of last year by 7.5 percent. The main contributors were an increasing in excise tax rate on diesel fuels and the reclaiming on excess liquidity from revolving funds. Nevertheless, the net government revenue still lower than the target by 9.4 percent, due to the fall in corporate income tax revenue, which based upon profitability of private sector in the fiscal year of 2014. Another factor was the falling price of crude oil, affecting the revenue from petroleum income tax to decline.

For the first 9 months of fiscal year 2015, the net government revenue collection stood at 1,631,271.7 million baht, which was higher than the same period of last year by 5.3, but lower than the projection by 3.9 percent.

Government Revenue

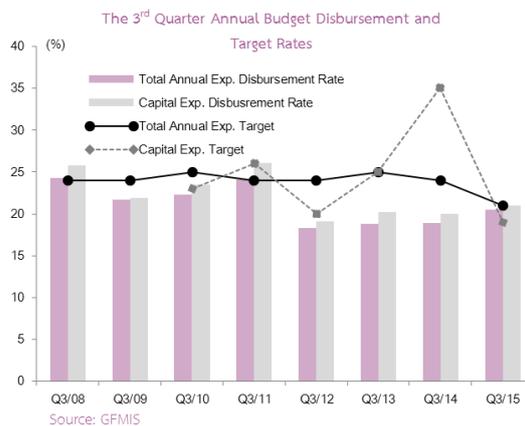
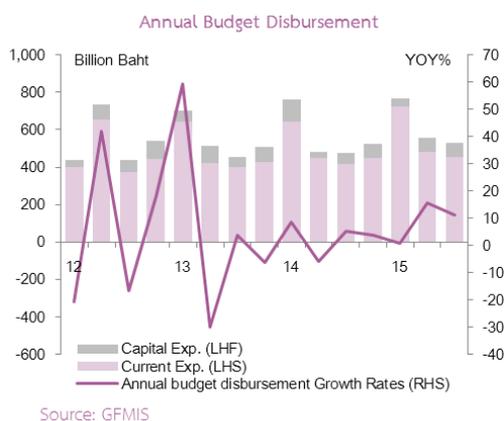
Fiscal Year (Billion Baht)	2013	2014					2015			
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	9M
Net Government Revenue	2,161.6	2,075.3	503.5	437.2	608.5	526.2	507.4	469.9	653.9	1,631.3
Compared with the target (%)	2.9	-8.8	2.5	-6.1	-13.8	-14.0	1.1	-0.7	-9.4	-3.9
YOY (%)	9.4	-4.0	-1.0	-6.9	-5.2	-2.8	0.8	7.5	7.5	5.3

Source: Ministry of Finance

On the expenditure side, the total budget disbursement in the third quarter of the fiscal year 2015 was at 704,936.2 million baht, increased by 13.3 percent from the same period of last year. Classified by its source of funds, the government disbursements are as follows: (i) **the 2015 annual budget disbursement** in this quarter was at 529,309.2 million baht, increased by 11.0 percent from the same period of last year, and equivalent to 20.6 percent of the 2015 annual budget. However, it was lower than the target of 21.0 percent, but higher than the rate of the same period of last year of 18.9 percent. In detail, the current expenditure disbursed at 452,205.7 million baht, expanded by 8.0 percent from the same period of last year (equivalent to 21.0 percent of total budget, higher than the rate of the same period of last year of 20.0 percent). Meanwhile, the capital expenditure was disbursed at 77,103.5 million baht, increased by 32.4 percent compared with the same period of last year. (equivalent to 18.4 percent of annual capital budget, which were lower than the target rate of 19.0, but it was higher than the rate of the same period of last year of 13.5 percent),

The net tax revenue collection increased by 7.5 percent, due to an increasing in excise tax rate on diesel fuels and the reclaiming on excess liquidity from revolving funds.

The capital budget disbursement rates increased from the same period of last year by 32.4 percent, but still lower than the target.



(ii) the carry-over budget disbursement was at 39,621.9 million baht, decreased by 4.2 percent from the same period of last year (equivalent to 11.3 percent of the overall carry-over budget, which were lower than the same period of last year of 12.6 percent); (iii) the off-budget loans disbursement was at 7,340.4 million baht. The off-budget loans consisted of The Thai Khem Kaeng stimulus package phase II (TKK) of 7,102.9 million baht and the Development Policy Loan (DPL) of 237.5 million baht; (iv) state-owned enterprises' capital expenditure budget was expected to disburse in this quarter at 121,415.4 million baht, increased by 18.6 percent, compared to the same period of last year. The main contributors were the PTT Public Limited, State Railway of Thailand, Thai Airways International Public Company Limited, Airports of Thailand PLC and Mass Rapid Transit Authority of Thailand; and (v) The government's fiscal stimulus measures were disbursed at 7,249.3 million baht, which included: the special budget reallocating from TKK of 7,057.4 million baht, the paddy farmer income assistance program of 158.3 million baht, and the rubber farmer income assistance program of 33.6 million baht.

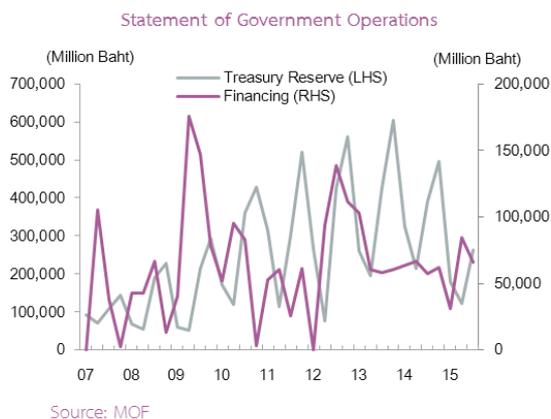
For the first 9 months of fiscal year 2015; (i) the annual budget disbursement amounted to 1,853,518.6 million baht, increased by 7.7 percent from the previous year (the disbursement rate was at 72.0 percent, fell short from the target of 76.0 percent, but were higher than the same period of last year rate of 68.1 percent). The capital budget disbursement of 195,125.0 million baht decreased by 6.7 percent from last year (equivalent to 46.7 percent of total capital budget, lower than the target of 74.0 percent and the previous year of 48.5 percent); the major contributors to capital budget disbursement were Ministry of Transport, Ministry of Agriculture and Cooperatives, Ministry of Interior and Ministry of Education, and, with the ratio towards actual capital budget disbursement of 35.8, 14.8, 13.5 and 9.9 percent, respectively; (ii) the carry-over budget disbursement of 177,268.0 million baht, which was 50.4 percent of total carry-over budget; (iii) the off-budget loans disbursement of 14,062.6 million baht; (iv) State-owned enterprises' capital budget disbursement of 331,294.2 million baht¹ and; (v) The government's fiscal stimulus measures phase I (the special budget reallocating from TKK and the paddy and rubber farmer income assistance programs), disbursement of 55,455.6 million baht.

Fiscal Balance: in the third quarter of fiscal year 2015, the budgetary balance recorded a surplus of 91,009.3 million baht, decelerated by 13.9 percent from the same period of last year. However, the non-budgetary balance recorded a deficit of 14,267.1 million baht. In the meantime, the government conducted a cash balance management through debt borrowing total of 66,000.0 million baht. Therefore, the cash balance after dept financing recorded a net surplus of 142,742.2 million baht, which was lower than the same period of last year by 19.2 percent.

¹ This amount included the disbursement of fiscal year 2014, from October-December 2014.

For the first 9 months of fiscal year 2015, the budgetary balance recorded a deficit of 231,908.2 million baht, while treasury reserve recorded at the end of 2014 fiscal year stood at 495,746.3 million baht. Thus, the treasury reserve at the end of this quarter stood to 263,838.9 million baht, which were lower than the level at the end of 2014 fiscal year by 46.8 percent.

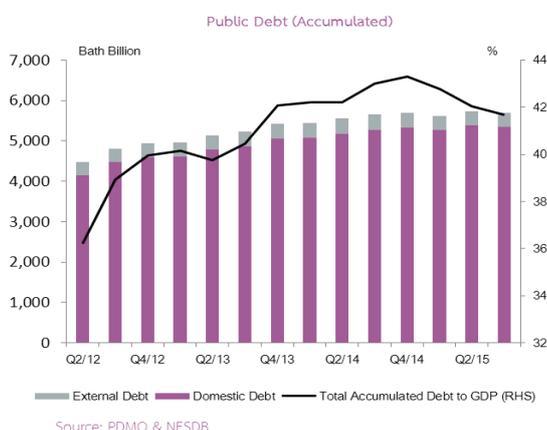
At the end of the 3rd quarter of fiscal year 2015, the treasury reserve stood at 263,838.9 million baht



Public Debt, at the end of the third quarter of fiscal year 2015, was accumulated at 5,684,490.8 million baht (equivalent to 41.7 percent of GDP²), which declined from the previous quarter by 46,028.5 million baht. The public debt was comprised of domestic loans of 5,343,786.0 million baht (39.2 percent of GDP) and foreign loans of 340,704.8 million baht (2.5 percent of GDP).

The Public Debt was at 41.7 percent of GDP and remains under the fiscal prudential framework.

The public debt consisted of Direct Government debt at 4,070,193.6 million baht (71.6 percent of total public debt), State Enterprises debt (non-financial Institution) at 1,046,279.7 million baht (18.4 percent), and Special Financial Institutions debt (guaranteed by the government) at 561,979.3 million baht (9.9 percent).



Financial Conditions

The policy interest rate was cut by 25 basis points during the second quarter of 2015. On the 29th of April, Monetary Policy Committee (MPC) decided to lower the policy rate to 1.50 percent per annum to further support economic recovery and maintain price stability. Likewise, many countries in the region, including Australia, New Zealand, South Korea, China, India and Russia, decided to cut their policy interest rate. Meanwhile, major countries such as the US, UK and Japan continually held their easing monetary policy. Moreover, MPC decided to hold policy rate at 1.50 percent per annum, during their meeting on the 10th of June and 5th of August 2015, as committee assessed that the current rate was appropriate in the current economic circumstance.

Policy interest rate was cut by 0.25 percent, in line with monetary policy direction of other countries in the region. Meanwhile, major industrialized countries monetary policy remained unchanged

² GDP is computed by the Chain Value Measure method (CVM).

Average deposit and lending rates of all commercial banks declined following a reduction in policy interest rate. At the end of the second quarter of 2015, average 12-month deposit and lending rates of four major banks declined to 1.50 and 6.52 percent per annum, respectively. Moreover, medium commercial banks also cut average 12-month deposit and lending rates to 1.56 and 6.93 percent per annum, respectively. Likewise, Specialized Financial Institutions (SFIs) lower their average 12-month deposit and lending rates to 1.73 and 6.78 percent per annum, respectively. **In July 2015**, some medium commercial banks cut slightly only their deposit rate.

Real deposit and lending rates continued to increase from the previous quarter. This was caused by decline of inflation rate from -0.57 percent at the end of the first quarter to -1.07 percent at the end of the second quarter. Thus, real deposit rate increased from 2.10 percent per annum in the previous quarter to 2.57 percent per annum, respectively. This was in line with the real lending rate which increased from 7.20 percent per annum to 7.59 percent per annum, respectively.

Policy Interest rate

At the end Period	Policy Interest rate										
	2013	2014					2015				
(%)	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Apr	May	Jun
USA	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25
EU	0.25	0.05	0.25	0.15	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Canada	1.00	1.00	1.00	1.00	1.00	1.00	0.75	0.75	0.75	0.75	0.75
Sweden	0.75	0.00	0.75	0.75	0.25	0.00	-0.25	-0.25	-0.25	-0.25	-0.25
Australia	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.00	2.25	2.00	2.00
New Zealand	2.50	3.50	2.75	3.25	3.50	3.50	3.50	3.25	3.50	3.50	3.25
Russia	5.50	17.00	7.00	7.50	8.00	17.00	14.00	11.50	14.00	12.50	11.50
China	6.00	5.60	6.00	6.00	6.00	5.60	5.35	4.85	5.35	5.10	4.85
Korea, South	2.50	2.00	2.50	2.50	2.25	2.00	1.75	1.50	1.75	1.75	1.50
India	7.75	8.00	8.00	8.00	8.00	8.00	7.50	7.25	7.50	7.25	7.25
Indonesia	7.50	7.75	7.50	7.50	7.50	7.75	7.50	7.50	7.50	7.50	7.50
Thai	2.50	2.00	2.00	2.00	2.00	2.00	1.75	1.50	1.50	1.50	1.50

Source: CEIC

Deposit including Bill of Exchange (B/E) of commercial bank gradually improved from 6.8 percent in the previous quarter to 7.0 percent in this quarter. The improvement was partly driven by the issuance of special deposit products by some commercial banks even though deposit rate was lowered following reduction in policy interest rate.

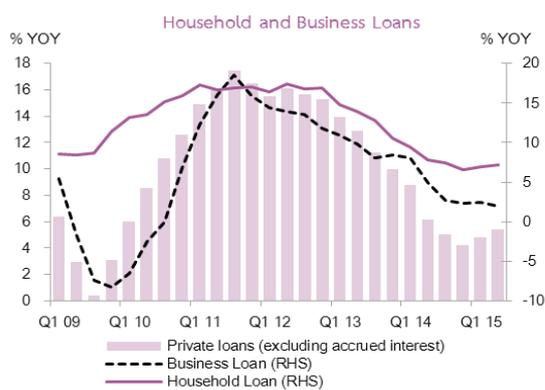
Private loans (excluding accrued interest) of all commercial banks expanded by 5.4 percent accelerated from 4.8 percent growth in the previous quarter following an improvement in household loan. Household loan expanded by 7.2 percent increased from 7.0 percent growth in the previous quarter, which was mainly driven by an improvement in household loan from SFIs as well as commercial bank loans in dwelling and other personal consumption sectors. However, business loan slowed down to 2.0 percent from 2.4 percent in the previous quarter following deceleration in wholesale and retail trade sector as well as construction sector. The deceleration in private loan was in line with a decline in Business Confidence Index. Furthermore, financial institutions continued to put high cautious in loan approval for large scale corporation and small and medium enterprises (SMEs) and imposed higher restriction in household loan.

Average deposit and lending rates of four major commercial banks declined following a reduction in policy interest rate.

Real deposit and lending rate increased following reduction in inflation rate

Deposit including B/E of commercial bank slightly improved from the previous quarter.

Private loans of all commercial banks improved from the previous quarter following an improvement in household loan. Meanwhile, business loan slowed down.



Source: BOT



Source: BOT

Loan to deposit ratio of commercial bank system increased while excess liquidity³ declined from the previous quarter. Commercial bank's credit (excluding repurchase position: RP) to deposits (including B/E) increased from 96.2 percent in the previous quarter to 98.6 percent in the second quarter of 2015, as expansion in commercial bank loan exceed that of deposit. This was in line with the decline in excess liquidity from 1,734.2 billion baht in the previous quarter to 1,649.1 billion baht in this quarter.

Thai Baht depreciated against US dollar while volatility increased from the previous quarter amid to a continual of loosen monetary policy and an increase in expectation over hike of FED fund rate. Throughout the second quarter, Thai Baht fluctuated in a depreciation trend with a bound between 32.36 – 33.87 baht per US dollar. This was resulted from (i) a second consecutive reduction of policy interest rate (on 11th of March and 29th of April) and an announcement of lower restriction on capital movement by BOT in order to lessen pressure from baht appreciation and help booster domestic economy, (ii) an appreciation of US dollar under the expectation that FED will hike policy rate within 2015 as US economy continue to recover while unresolved situation in Greece further increase demand for safe assets, and (iii) slowdown in regional economy especially China which caused regional currency to depreciate against US dollar. Thus, average Thai Baht in the second quarter stood at 33.29 baht per US dollar depreciated from the previous quarter and the same period of last year by 2.0 and 2.6 percent respectively. Nominal Effective Exchange Rate⁴ (NEER) depreciated by 3.4 percent compared to previous quarter but appreciated from the same period of last year by 6.2 percent. Likewise, Real Effective Exchange Rate (REER) depreciated from previous quarter by 3.8 percent and appreciated from the same period of last year by 3.2 percent.

In the first half of 2015, average exchange rate stood at 32.96 baht per US dollar depreciated by 1.5 percent from an average of 2014.

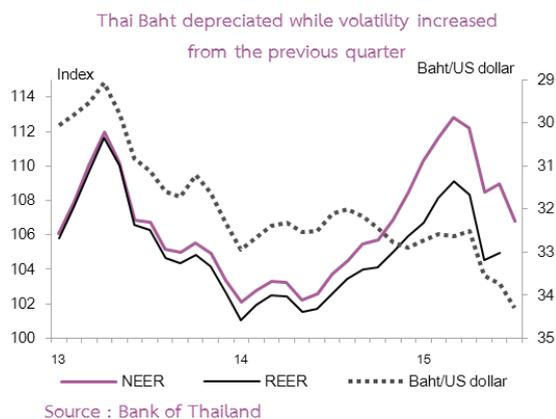
In July, Thai Baht against US dollar significantly dropped after an announcement by president of FED on the 15th of July which increases the likelihood that FED will increase policy rate by the next meeting in September. Furthermore, the sluggish domestic and regional economy has further dampened the baht movement. Thus, average Thai Baht in July stood at 34.30 baht per US dollar or depreciated by 1.7 percent compared to an average in June. During 3rd – 14th of August, Thai Baht continue to fluctuate in a depreciation trend with an average of 35.16 baht per US dollar or depreciated by 2.5 percent from an average rate in July.

Loan to deposit ratio of commercial bank system increased while excess liquidity decreased from the previous quarter

Thai Baht depreciated while volatility increased from the previous quarter amid a continual of loosen monetary policy and an increase in likelihood of a hike in FED fund rate.

³ Excess liquidity equals to 90 percent of net repurchase position +40 percent of net foreign assets +50 percent of investment in government in government and Bank of Thailand bond.

⁴ The BOT began using the new NEER and REER in March 2013. 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.



Capital and financial account record an inflow compared to an outflow in the previous quarter. In the second quarter of 2015, capital and financial account registered a net inflow of 2.17 billion US dollar, compared to an outflow of 1.44 billion US dollar in the first quarter, even though Thai investor increased their investment abroad and portfolio investment both for bond and stock market register an outflow. The main contributors to an inflow were from (i) short term loan and withdrawal of oversea deposit in order to rebalancing foreign currency position in the Banking sector, (ii) an increased of inflow towards financial and insurance, real estate, and wholesale and retail sector, and (iii) withdraw of an overdue oversea deposit account of FIF fund.

Capital and financial account record an inflow compared to an outflow in the previous quarter.

Capital Flow

(Billion USD)	2014			2015				
	Year	H1	H2	H1	Q1	Q2	May	Jun
Capital and financial account	-14.26	-5.91	-8.35	0.73	-1.44	2.17	-1.21	1.66
Government	1.43	-1.28	2.71	-0.84	-0.39	-0.45	-0.36	-0.17
Monetary Authorities	-2.96	0.35	-3.31	-0.80	-0.37	-0.43	-0.44	-0.20
Bank	-5.28	-0.92	-4.36	-1.53	-2.23	0.70	-1.93	2.62
Others	-7.45	-4.06	-3.39	3.90	1.54	2.36	1.52	-0.59
Direct Investment	4.96	3.31	1.65	6.25	2.22	4.03	1.42	0.70
Thai investor	-7.87	-2.68	-5.19	-3.18	-2.51	-0.67	0.11	-1.08
Foreign investor	12.83	5.99	6.84	9.43	4.73	4.70	1.31	1.78
Portfolio Investments	-12.09	-5.87	-6.22	-8.53	-3.09	-5.46	-2.11	-2.41
Thai investor	-7.39	-4.71	-2.68	-2.80	-0.37	-2.44	-1.13	-0.78
Foreign investor	-4.70	-1.16	-3.54	-5.73	-2.72	-3.02	-0.98	-1.63
Loans	-5.39	-1.62	-3.77	-1.75	-2.53	0.78	-1.88	2.13
Other	-1.75	-1.74	-0.01	4.77	1.95	2.82	1.37	1.23

Source: BOT

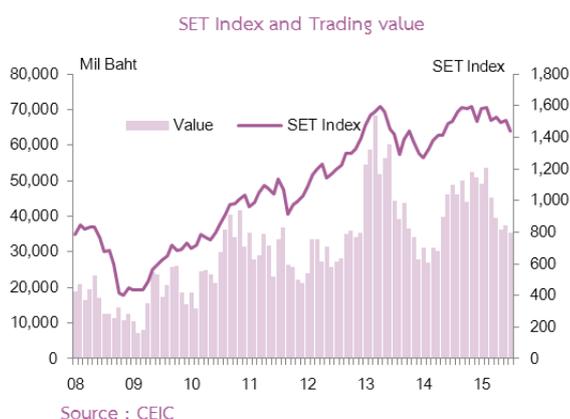
SET index fluctuated in a downward trend as investors reduce risky assets holding amid to the concern over regional economic slowdown, unresolved Greece financial crisis, and an increased in likelihood over hike of FED fund rate. Throughout the second quarter, SET index was hammered by wave of negative factors especially from lower economic projection of many countries which put a downward pressure on listed company revenue projection and foreign investor investment return. Moreover, investors has reduce their risky assets holding as unresolved situation in Greece has further spur concern over global financial stability as well as an increased in likelihood over hike of FED fund rate. Nevertheless, institution investors has

SET index fluctuated in a downward trend as foreign investors reduce risky assets holding.

conduct a window dressing during the end of the quarter an push up SET index to closed at 1,504.6 points at the end of second quarter slightly drop from the previous quarter. Average trading volume declined to 37.8 billion baht compared to 49.3 billion baht in the first quarter. Furthermore, foreign investors register a net sell of 7.2 billion baht while institution investors post a net buy of 26.1 billion baht.

For the first half of 2015, SET index increased by 0.5 percent compared with the closing price at the end of 2014 and foreign investors post a net sell of 15.7 billion baht.

In July, SET index dropped to 1,440.1 points (-4.5 percent from June) following a surge in foreign investors net sell position which registered at 26.4 billion baht, as rapid depreciation in regional currencies from unfavorable economic projection and sharp drop in China stock market has increased investor concern. During 3rd – 14th of August, SET index continued to fluctuate in a downward trend as concern over Thai economic situation rose.

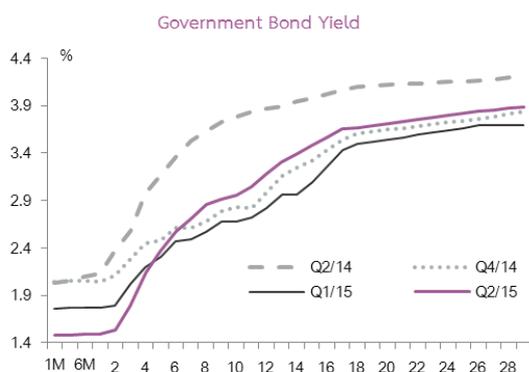


The short and medium term government bond yield shifted downward following the policy interest rate cut, while the long term bond yield shifted upward owing to US long term government bond yield. At the end of the second quarter, the short and medium term Thai government bond yield shifted downward following the policy interest rate cut, while the long term bond yield increased from the US long term government bond yield that shifted upward due to the expectation of Fed fund rate hike, lower weight on the risky asset of foreign investors due to a rising concern over Greece debt crisis and the lower return from the depreciation of Thai baht which is owing to Thai's expansionary monetary policy. Hence, foreign investors registered a net-sell position of 26.4 billion baht compared with net-buy position of 7.3 billion baht in the previous quarter. An average daily outright transaction volume increased to 90.7 billion baht compared with 82.4 billion baht in the previous quarter. In the first half of 2015, foreign investors registered a net-sell position of 19.1 billion baht

In July 2015, the government bond yield dropped in all maturities, particularly the medium and long term government bond from the higher weight of investment in safe asset. This was owing to a rising concern over Greece debt payment direction as well as a dramatically fall of China stock market index. As a result, foreign investors registered a net-buy position of 9.4 billion baht. An average daily outright transaction volume stood at 76.2 billion baht, slightly decreased from 78.6 billion baht in June 2015.

The short and medium term government bond yield shifted downward, while the long term bond yield shifted upward.

In July 2015, the government bond yield dropped in all maturities, from the higher weight of investment in safe asset.

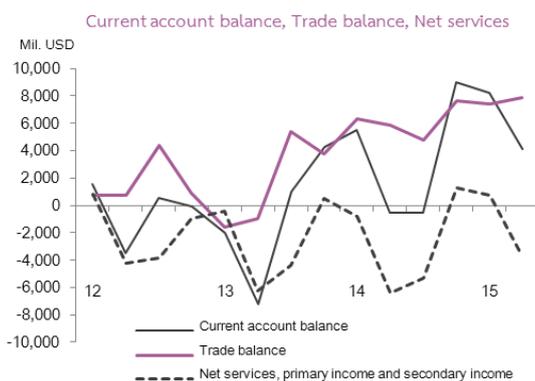


Source : ThaiBMA

Current account in the second quarter of 2015 registered a surplus of 4,134 million US dollars (137,694 million baht), compared with a surplus of 8,188 million US dollars (267,255 million baht) in the previous quarter and a deficit of 533 million US dollars in the second quarter of 2014. This was a result of a trade surplus of 7,847 billion US dollars and a deficit in services, primary and secondary income of 3,713 billion US dollars..

Current account registered a surplus.

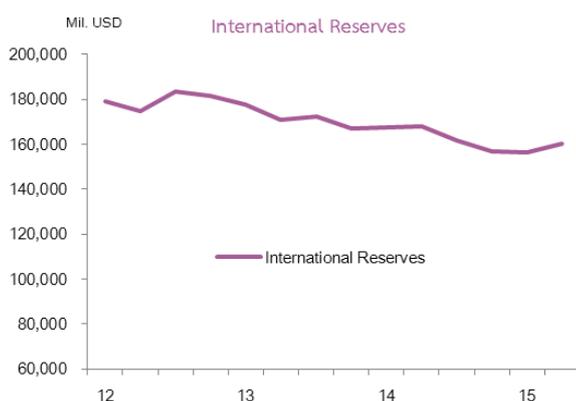
In the first half of 2015, Current account registered a surplus of 12,322 million US dollars (404,949 million baht), increasing from a surplus of 4,971 million US dollars (161,875 million baht) in the same period last year.



Source: Bank of Thailand

International reserve at the end of June 2015 stood at 160.27 billion US dollars (excluded net forward position of 18.4 billion US dollars), which was equal to 3.0 times of short-term foreign debt (at the end of the first quarter of 2015) or 10.7 months of import value (the average of import value in the second quarter of 2015).

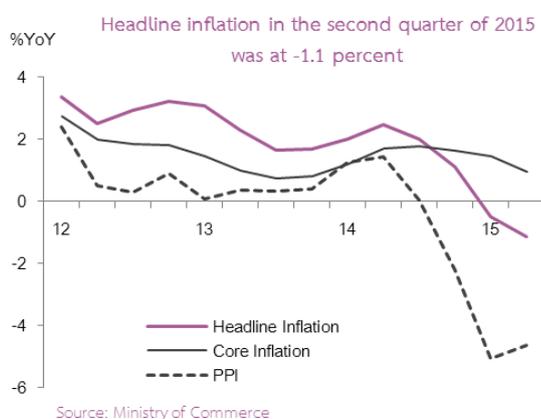
International reserve at the end of June 2015 stood at 160.27 billion US dollars.



Source: Bank of Thailand

Headline Inflation in the second quarter of 2015 was at -1.1 percent, decreased from -0.5 percent in the previous quarter due to a decline of energy price as well as food price. **Food-and-Beverage price index increased by 0.4 percent**, decelerating from 1.8 percent in the first quarter of 2015 due to a decline in price of raw food, especially meats, eggs, and dairy products. **Non-Food-and-Beverage price index declined by 1.9 percent** compared to a fall of 1.7 percent in the previous quarter due to a decline in energy price, mainly due to the decline in domestic retail fuel prices, which in the line with the drop in global crude oil price, as well as the cut of the Energy Adjustment Cost (Ft) during May to August 2015 by 0.09 baht per unit as price of natural gas fell. Consequently, the energy price indices decline by 14.2 percent, compare with a decrease of 12.9 percent in the previous quarter. The Core Inflation stood at 1.0 percent, decelerating from 1.5 percent in the previous quarter due to high based effect of prepared food price which was increased in the same period last year⁵.

In the first half of 2015, headline inflation and core inflation were at -0.8 percent and 1.2 percent respectively.



Producer Price Index (PPI) in the second quarter of 2015 declined by 4.6 percent, compared to -5.1 percent in the previous quarter, due to the fall in agriculture and manufactured products. **The price of agricultural products declined by 3.5 percent**, due to the decline in the prices of agricultural and fish and fishery products. **The price of manufactured products declined by 5.0 percent**, especially the petroleum price, rubber product and plastic. **Meanwhile, the price of Mining product increased by 4.3 percent** as the price of lignite, petroleum, and natural gas increased by 3.4 percent.⁶

The first half of 2015, Producer Price Index (PPI) declined by 4.9 percent, compared to the increased 1.4 percent in the same period last year.

Headline Inflation in the second quarter of 2015 was at -1.1 percent.

Producer Price Index (PPI) in the second quarter of 2015 declined by 4.6 percent due to the fall of the prices of agricultural products and manufactured products.

⁵ In July 2015, headline inflation was -1.0 percent while core Inflation was at 0.9 percent. In the first 7 months of 2015, headline inflation was at -0.8 percent while core inflation was at 1.2 percent.

⁶ In July 2015, producer price index declined by 3.8 percent. In the first 7 months of 2015, producer price index declined by 4.7 percent

2. Crude Oil price in Q2/2015

The crude oil price in the global market declined for the fourth quarter. In the second quarter of 2015, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 60.98 USD per barrel or a decline of 42.6 percent, compared to the same period last year. This was a decline in all markets. However, crude oil price in the second quarter of 2015 increased 16.0 percent, compared to the previous quarter.

Key reasons of decline in global crude oil price included (1) an increase in global supply as US and Canada increased their production to 15.08 and 4.76 million barrels per day, respectively (higher than the level of 13.92 and 4.28 million barrels per day the same period last year) and the fact that OPEC refused to cut their production, that it caused the global oil production in this quarter was at 95.70 million barrels per day (higher than the level of 92.39 million barrels per day the same period last year) and (2) the gradual increase in global demand due to the slow pace of global economy recovery.

The crude oil price in the global market declined due to an increase in global supply from the rise of production in the US and Canada, the global slowdown, and the USD appreciation..

Crude Oil Price

Year		US Dollars per Barrel					Growth (%YOY)				
		OMAN	DUBAI	BRENT	WTI	Average	OMAN	DUBAI	BRENT	WTI	Average
2013	Year	105.59	105.53	109.08	97.90	104.52	-3.5	-3.3	-2.4	3.9	-1.5
2014	H1	105.27	105.17	108.79	100.79	105.01	0.8	0.8	0.6	6.4	2.0
	H2	88.36	87.79	90.20	84.64	87.75	-17.0	-17.5	-17.6	-16.8	-17.2
	Q1	104.39	104.26	107.90	98.47	103.76	-3.5	-3.6	-4.7	4.3	-2.1
	Q2	106.22	106.10	109.74	103.04	106.27	5.4	5.4	6.0	9.3	6.5
	Q3	101.59	101.28	103.38	96.28	100.63	-4.3	-4.5	-5.7	-8.9	-5.9
	Q4	75.14	74.30	77.02	73.00	74.86	-29.7	-30.4	-29.6	-25.2	-28.8
	Year	96.82	96.48	99.49	92.71	96.38	-8.2	-8.5	-8.6	-5.6	-7.7
2015	H1	57.06	56.58	59.27	53.31	56.79	-45.8	-46.2	-45.5	-47.1	-45.9
	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
	Apr	58.48	58.36	61.30	54.72	58.21	-44.3	-44.2	-43.3	-46.3	-44.5
	May	63.79	63.40	65.56	59.36	63.03	-39.6	-40.0	-39.9	-41.8	-40.3
	Jun	61.62	61.61	63.75	59.83	61.70	-43.0	-43.0	-43.2	-43.2	-43.1
	Jul	56.50	56.31	57.16	51.49	55.37	-46.8	-46.9	-47.2	-49.7	-47.6
	7M	56.98	56.54	58.96	53.04	56.38	-45.9	-46.3	-45.8	-47.5	-46.4
	1-13 Aug.	49.87	49.88	49.52	44.31	48.39					

Source: Thaioil plc. And EPPO

WTI Price Projection

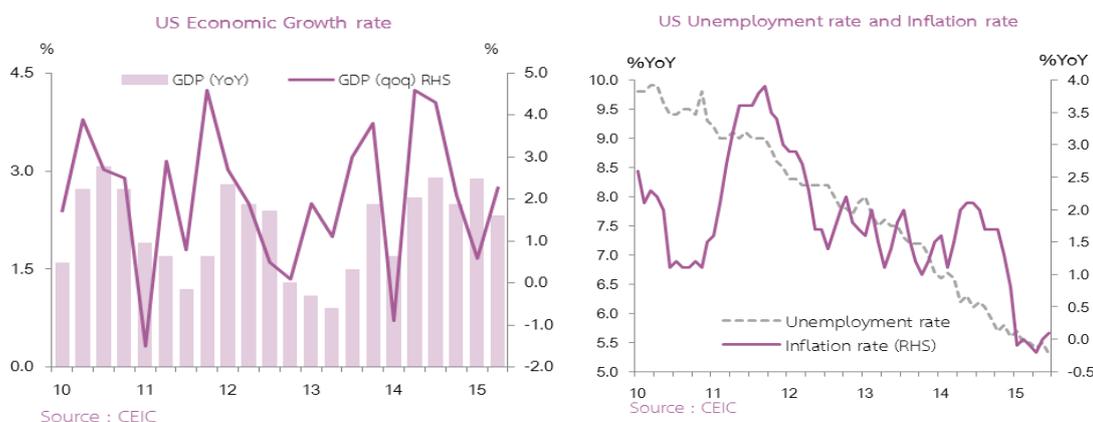
Institution	2015 (USD/Barrel)	
	Previous	Latest
Deutsche Bank AG	55.00 (Jan, 2015)	57.50 (May, 2015)
EIA	55.51 (Jul, 2015)	49.62 (Aug, 2015)
Barclays	42.00 (Jan, 2015)	65.0-70.0 (May, 2015)
Goldman Sachs	47.15 (Jan, 2015)	52.00 (May, 2015)

Source: Collected by NESDB

3. The World Economy in Q2/2015

In the second quarter of 2015, the economy conditions of advanced countries have recovered, yet with a gradual pace, from the first quarter, led by the US economy. Similarly, the Eurozone and the Japanese economies showed clearer signs of recovery. A slight recovery had caused the growth rates of the U.S. and U.K. economies compared to the same period of last year to be slower than the first quarter of 2015. Meanwhile, the Chinese economy and other major Asian economies still experienced with slowdown. According to a sluggish recovery of several developed countries, a slowdown of Asian economies, and low inflation rate, most economies continued to employ easing monetary policies. On the other hand, regarding the ongoing recovery of the U.S. economy, its monetary policy direction tends to diverse from other advanced countries.

- US economy recovered from the previous quarter, which was derailed notably by harsh winter weather, but the growth rate remained at a low level.** In the second quarter, the US economy expanded by 2.3 percent (%QoQ, saar.), accelerating from 0.6 percent growth in the previous quarter. The expansion was mainly contributed by household consumption, positive net exports, and public spending. At the same time, however, nonresidential fixed investment, particular in machinery, showed a slowdown while inventory also provided a negative contribution to growth. Nevertheless, on year-on-year basis, the US economy pace at 2.3 percent (%YoY), lower than 2.9 in the first quarter of 2015. As a result of a low inflation and the moderate recovery of the economic activity, FOMC consented to maintain its policy rate within the range of 0.0-0.25 percent in the 28th-29th July 2015 meeting. The decision was made despite a continual improvement in the labor market and led to declining unemployment rate to the lowest in seven years.

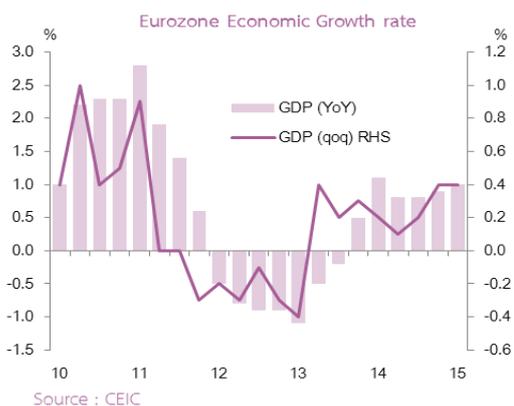


- Eurozone economy gradually recovered from the first quarter of 2015.** In the second quarter of 2015, the EU economy expanded by 1.2 percent (%YoY), higher than the preceding performance of 1.0 percent in the first quarter of 2015; and quarter-on-quarter basis, the EU economy expanded by 0.3 percent (%QoQ sa). A continued recovery in this quarter was mainly driven by (1) the improvement of household spending in line with better consumer confidence and a gradual expansion of household credits, and also (2) the expansion in industrial production. However, export showed a slowdown from the previous quarter. In this quarter, the unemployment rate has gradually declined though remained high with an average of 11.1 percent. Moreover, inflation turned to positive in this quarter at 0.2 percent after experiencing a contraction of 0.3 percent in the last quarter, owing mainly to rapid increase in prices of services and the euro depreciation.

In the second quarter of 2015, the economy conditions of advanced countries have recovered, yet with a gradual pace.

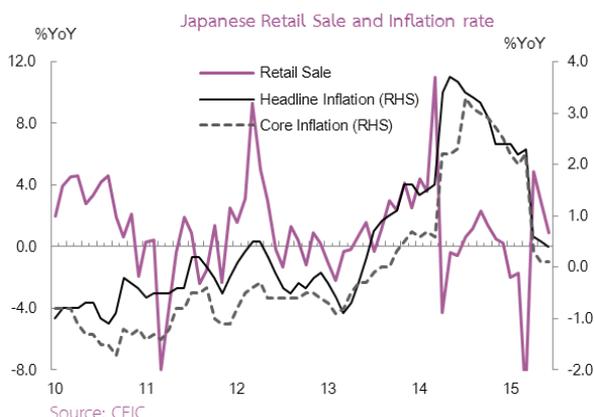
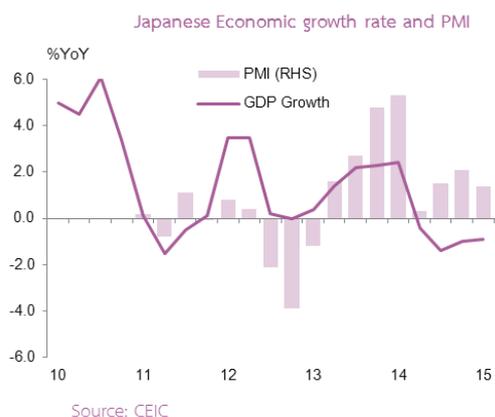
US economy recovered from the last quarter, but the US economy pace at 2.3 percent (%YoY), lower than 2.9 in the first quarter of 2015.

EU economy expanded by 1.2 percent (%YoY), higher than the preceding performance of 1.0 percent in the first quarter of 2015.



□ **Japanese economy: Domestic consumption improved but export and manufacturing sector continued to slowdown.** In the second quarter of 2015, key economic indicators suggested that the Japanese economy will return to an expansion after a 0.9 percent contraction (%YoY) in the previous quarter. The rebound of Japanese economy was driven by improvement in private consumption which also consistent with 2.9 percent growth of retail sales, compared to a contraction of 4.4 percent in previous quarter. The improvement was also in line with better consumer confidence, and declining in unemployment rate to 3.3 percent, the lowest rate in the past 18 years. However, export expanded by 6.6 percent, slowing down from 9.3 percent in last quarter, consistent with the slowdown in domestic production. Inflation stood at 0.5 percent, down from 2.3 percent in previous quarter, partly due to the high base in prices after consumption tax hike in April 2014. As a consequence of slow economic recovery and low inflation, Bank of Japan (BOJ) continued to maintain monetary easing measure by expanding monetary base by 80 trillion Yen per year, and thus the Japanese Yen remained depreciated.

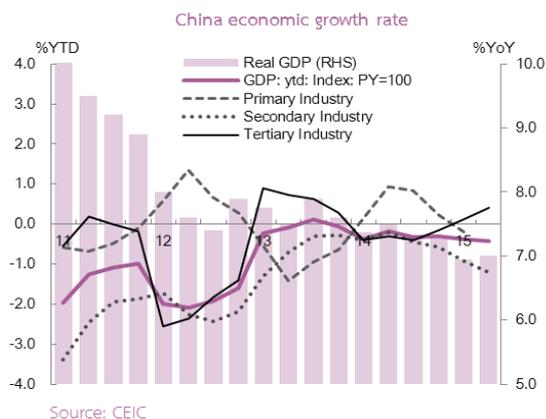
Japanese economy: Domestic consumption improved but export and manufacturing sector continued to slowdown.



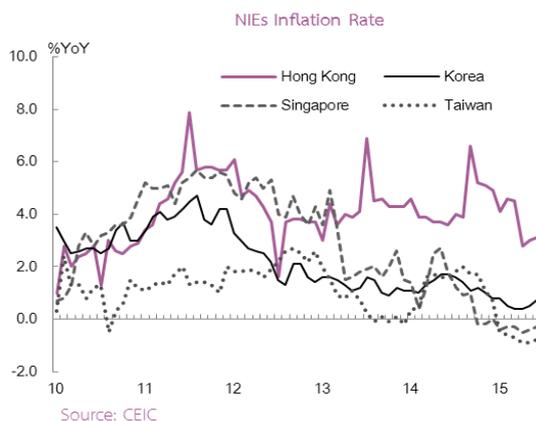
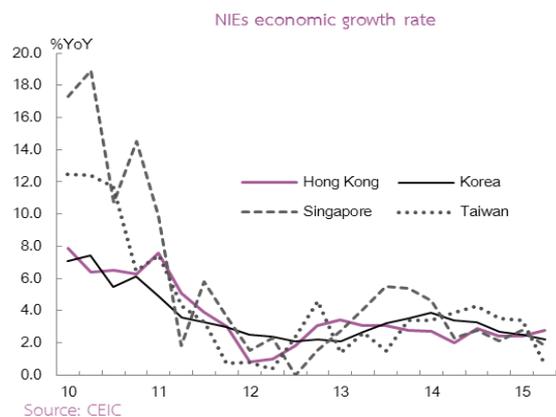
□ **Chinese economy expanded at the same rate as in the first quarter. Key driving force included production and service sector, especially financial intermediaries, and a stronger contribution from net exports.** In the second quarter of 2015, Chinese economy expanded by 7.0 percent (%YoY), similar to the growth in the previous quarter. After seasonal adjustment, the Chinese economy expanded at 1.7 percent (%QoQ, sa.) up from 1.4 percent growth in the first quarter. The expansion was primarily driven by (1) Expansion in the manufacturing production which was contributed by economic stimulus measures while export still declined. (2) Expansion in the financial sector during the equity market boom. (3) A decline in imports which resulted in higher net exports and current account surplus. Nevertheless, private domestic demand expanded at slower pace, especially investment in real estate and residential as well as household consumption. Inflation remained subdued at 1.4

Chinese economy expanded at the same rate as in the first quarter. Key driving force included production and service sector, especially financial intermediaries, and a stronger contribution from net exports.

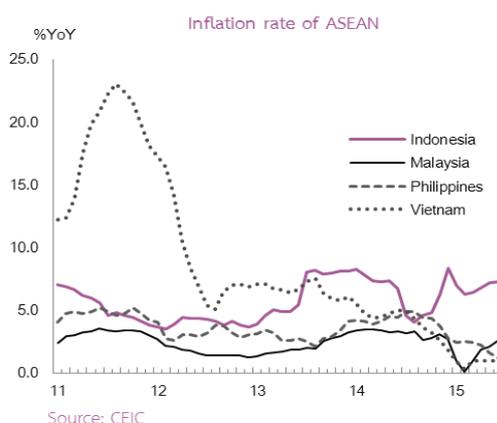
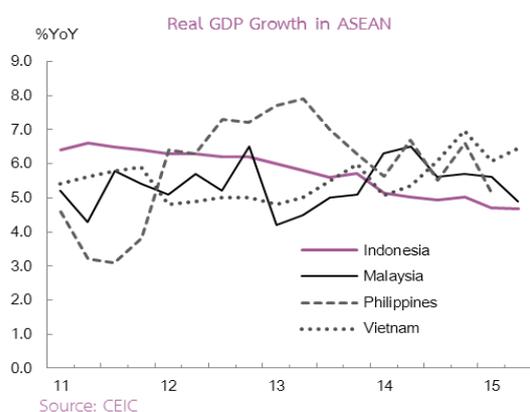
percent. Low inflation coupled with a continued decline in domestic demand, the People’s Bank of China (PBoC) decided to further ease its monetary policy by lowering both lending and deposit rates by 0.25 percent on 28th June 2015 for the fourth time since November 2014, and lowering its required reserve ratio (RRR) in April.



❑ **NIEs economies paced down in almost all countries (except Hong Kong) due to declines in export. The South Korea economy** expanded by 2.2 percent, slowing down from 2.5 percent in the previous quarter, due mainly to the contraction in export, and agricultural sectors as well as a slowdown in household consumption affected by MERS outbreak. As a consequence of a slowdown in economic activity, the Bank of Korea decided to cut its interest rate by 0.25 basis points in June to the historically lowest rate at 1.5 percent. At the same time, the government also proposed additional stimulus package with total investment value of 19.6 billion USD. **The Singapore economy** increased by 1.8 percent, slowing down from 2.8 percent in the last quarter due to a contraction in export and manufacturing sector as well as a slowdown in services sector. **The Taiwanese economy** expanded by 0.6 percent, decelerating from 3.4 percent in last quarter following the contraction in manufacturing and export sector especially in electronic components. **The Hong Kong economy** grew by 2.8 percent, accelerating from 2.4 percent in previous quarter, contributed by the expansion in domestic consumption especially in durable goods with 19.6 percent growth. However, government expenditure and public investment showed a slower growth and export contracted. Inflation dropped in all countries. Inflation in South Korea and Hong Kong stayed at 0.5 and 3.0 percent respectively, down from 0.6 and 4.4 percent in the last quarter. Moreover, Singapore and Taiwan had negative inflation rate of 0.4 and 0.7 percent compared to a negative of 0.3 and 0.6 percent respectively in the previous quarter.



□ **ASEAN Economies mostly slowed down in many countries, owing to declining exports due to the slowdown in major trading partner economies and a fall in world commodity prices. The Malaysian economy** expanded by 4.9 percent, decelerating from 5.6 percent in the first quarter, due to a decline in export especially in natural gas, petroleum products, and crude oil, as well as the major agricultural products such as palm oil and rubber following decline in global oil and agricultural prices. **The Indonesian economy** expanded by 4.7 percent, the slowest growth in 6 year, resulted from a slowdown in public spending and total investment while exports continued to decline. **The Philippines economy** continued to expand at a moderate pace, contributed mainly by household consumption due to increase in overseas remittance and a decline in oil prices, while public spending accelerated. However, export value remained in a contraction. **The Vietnamese economy** showed a higher growth from 6.1 percent in the first quarter, to 6.4 percent in the second quarter, thanks to stronger export growth and continued expansion of production in industrial and service sectors.



Economic Inflation and export Growth in NIEs and ASEAN

	Export (%YoY)						GDP (%YoY)				inflation (%YoY)			
	2013	2014				2015		2014		2015		2014		2015
	Year	Year	Q2	Q3	Q4	Q1	Q2	Q4	Q1	Q2	Q4	Q1	Q2	
China	8.3	5.7	4.9	12.9	8.5	4.6	-2.2	7.3	7.0	7.0	1.5	1.2	1.4	
Hong Kong	3.6	3.2	4.9	5.9	1.2	2.3	-1.9	2.4	2.4	2.8	5.1	4.4	3.0	
India	6.2	2.0	7.7	0.6	0.3	-15.1	-17.0	6.6	7.5	n.a.	5.0	5.3	5.1	
Indonesia	-3.9	-3.2	-2.5	2.3	-10.3	-11.8	-11.9	5.0	4.7	4.7	6.5	6.5	7.1	
Korea, South	2.1	2.3	3.2	3.6	0.9	-3.0	-7.2	2.7	2.5	2.2	1.0	0.6	0.5	
Malaysia	0.3	2.7	8.5	3.0	-4.2	-11.2	-14.9	5.8	5.6	4.9	2.8	0.7	2.2	
Philippines	9.1	9.5	12.9	12.6	5.7	-0.2	-8.8	6.6	5.2	n.a.	3.6	2.4	1.7	
Singapore	0.5	0	2.4	-0.2	-7.1	-11.6	-14.6	2.1	2.8	1.8	0.0	-0.3	-0.4	
Taiwan	1.1	2.9	3.7	6.2	0.5	-4.2	-9.8	3.4	3.4	0.6	0.8	-0.6	-0.7	
Thai	-0.1	-0.3	0.3	-1.7	1.5	-4.3	-5.5	2.1	3.0	2.8	1.1	-0.5	-1.1	
Vietnam	16.6	12.7	15.7	11.9	10.8	9.0	9.3	7.0	6.1	6.4	2.6	0.7	1.0	

Source : CEIC

4. The World Economic Outlook for 2015

The world economy in 2015 tends to grow by 3.1 percent, slowing down from 3.2 percent in 2014. This is in tandem with a slowdown of the Chinese economy and major countries in the Asia region. Meanwhile, the Japan and the Euro economies are expected to expand steadily from the previous year, though with a marginal growth. The US economy tends to grow at similar rate as in 2014. A continual recovery of the US economy created higher possibility that the US Federal Reserve can start lifting its policy rate in the second half of 2015. On the contrary, most of the countries are expected to maintain their expansionary monetary policy in order to further support the economic recovery.

As a result of a slowdown of the Chinese economy and slow global economy as well as the diverged monetary policy direction between the US and other major advanced economies, the USD in the latter half of the year continues to appreciate further. Together with increased production capacity in key industrialized countries, it is expected that the recovery pace of oil and primary commodities prices will be slowly. Meanwhile, the risks to the global economic recovery and capital movement in the second half of the year remain high due to (1) The risk that the Chinese economy will record a slower-than-expected growth, and the financial market may become more fluctuate over time. (2) The instability of the countries with high debts, strong exchange rate depreciation, and high dependence on export of the primary products. (3) The implementation of monetary and exchange rate policies in major industrialized countries which may significantly differ from the market expectation.

- ❑ **US economy** in 2015 is expected to grow by 2.5 percent, slightly higher than 2.4 percent in 2014, but lower than 3 percent in the previous assumption. The revision is as a result of a lower-than expected growth of 2.3 percent in second quarter of 2015. Meanwhile, the economic growth over the remainder of 2015 will also face with some challenges including the USD appreciation, the economic slowdown in the key trading partners which could affect export growth, and the decline in crude oil price which will be constrained for business investment, especially in energy-related sectors. Nonetheless, there are several supporting factors for the US economy in the second half of 2015 including (1) a pickup in household consumption fueled by the labour market improvement, increases in price of real estate and asset, and the improvement of household balance sheet, and (2) the expansion in real estate investment. With economic recovery momentum and improvement of the labor market, it is expected that the Fed will raise its Federal Fund Rate in September. However, if the USD appreciation and the decreasing oil price lessen inflationary pressures than earlier anticipated, it is thus possible that the Fed may delay the policy rate hike further.
- ❑ **EU economy** is forecasted to grow by 1.2 percent in 2015, a slight improvement from 0.9 percent in 2014. The expansion has been supported by ongoing monetary expansion measures and loosening the lending conditions which will improve liquidity and economic confidences. Unemployment rate also gradually decrease. In addition, the Greece debt relief after the bailout approved will also recover the confidence and economic activity. Under the improving conditions, it is expected that ECB will not implement additional monetary expansionary in the second half of this year, but will continue implementing its 1.1 trillion Euro quantitative easing program in order to support the Euro depreciation.
- ❑ **Japanese economy** is expected to expand by 0.8 percent in 2015, gradually improving from 0.0 percent growth in 2014. The gradual improvement is driven by a recovery of household spending which is supported by (1) an increase in domestic minimum wage, labor market reform, (2) low oil price which led to higher real income, (3) lower unemployment rate and (4) better consumer confidence. Nevertheless, the economic prospect in the remainder of the year tends to be restrained by the economic slowdown of key trading partners especially China

The world economy in 2015 tends to grow by 3.1 percent, slowing down from 3.2 percent in 2014. This is in tandem with a slowdown of the Chinese economy and major countries in the Asia region. Meanwhile, the Japan and the Euro economies are expected to expand steadily from the previous year, though with a marginal growth. The US economy tends to grow at similar rate as in 2014.

and another Asian countries. Moreover, it seems that the slow economic momentum may not be sufficient to drive inflation to reach its target in the near term. As a result, the BOJ is likely to maintain implementing its monetary easing measures by expanding monetary base in the amount of 80 trillion Japanese Yen per year. It is also possible that BOJ will also adopt additional monetary expansionary measures in order to stimulate economy and reduce the deflationary pressure.

- ❑ **Chinese economy** is expected to grow by 6.9 percent, slowing from 7.4 percent in 2014. Over the remainder of the year, the Chinese economy is expected to slow down from the first half of the year due to (1) the slowdown in the financial sector affected by the stock market correction, a softened credit growth from commercial banks which faced with higher non-performing loans, and (2) the deceleration of fixed asset investment as a result of the economic reform policy. Meanwhile, the Chinese export faces with major limitations from the currency depreciation of its key exporting markets. As a result of the economic slowdown and the desire to make the RMB currency to be part of the Special Drawing Right (SDR), the Chinese Central Bank therefore decided to devaluate the RMB by 1.9 percent on 11th August 2015. It also revises a method of calculating the daily value of the Yuan by taking into account the previous day's closing level. As a result, it is expected that the RMB currency will continue to depreciate over the remainder of 2015 and needs to be closely monitored, particularly the impact on the overall Chinese economy, as well as on the monetary policies and other major economies.
- ❑ **NIEs economies:** In 2015, the Hong Kong economy is expected to expand by 2.4 percent, slightly higher than 2.3 percent growth in 2014. However, economies of South Korea, Taiwan and Singapore are expected to expand by 2.4, 2.3 and 2.2 percent respectively, lower than 3.3, 3.8 and 2.9 percent in 2014 due to the lower-than-expected economic performances in the first half of 2015. This was a result of weaker domestic consumption and export contraction following the slowdown of trade partners economies especially China. Moreover, the South Korean economy was affected by MERS outbreak while the economy in the rest of year tends to be affected by sluggish export growth and an exchange rate fluctuation. Meanwhile, inflation rate tends to be subdued following lower energy prices. As a result, the Central Bank in major NIES economies will continue to implement monetary easing policy.
- ❑ **ASEAN economies: The Indonesian economy** is likely to expand by 4.7 percent, slower than 5.0 percent in 2015. This owes to the fact that the slowest growth in the second quarter in the past 6 years in line with the slowdown in public spending and a decline in major export prices. **The Philippines economy** is projected to grow by 5.5 percent, softening from 6.1 percent in 2014 due mainly to the export deceleration. **The Malaysian economy** is projected to grow by 5.2 percent, slower than 6.0 percent in 2014, owing mainly to the slower export growth affected by the reduction of oil and agricultural prices. Private consumption is also likely to slow down following tighter credit conditions and the impact of the goods and services tax (GST) collection started since 1st April 2015. **The Vietnamese economy** is projected to grow by 6.0 percent, similar growth rate as in 2014.

5. Thai Economic Outlook for 2015

The Thai economy in 2015 is likely to grow at satisfactory rate under such conditions that posed some constraints to the growth including the lowest global economic growth in three years as well as impacts from low agricultural prices and drought conditions. The economy for the remainder of this year will be driven mainly by (1) An expansion in public expenditure and investment. (2) The Thai Baht depreciation which will result in higher export and liquidity in Baht term. (3) A continual strong growth of the tourism sector. (4) Subsidized oil prices and inflation rate which will help raise purchasing power and create favorable condition for further expansionary monetary policy.

Economic stability continues to remain favorable. Current account tends to record a higher surplus due to strong expansion of the tourism sector and decline in global oil prices. Unemployment rate continues to remain low. Nevertheless, inflation is expected to be negative following decline in energy prices and sluggish domestic demand. It is thus need to closely monitor the inflation expectation and the response of the business sector to price changes. It is also expected that Thai Baht tends to depreciate in line with the expectation of Fed rate hike and economic conditions of major economies.

▣ Supporting factors for the economic growth:

- 1) **Public expenditure and investment** continues to be strong engines of growth in the rest of the year and could be increasingly expedited to further support the economy. In the first half of the Calendar year 2015, the budget was disbursed into the economy with the total amount of 1.434 trillion Baht, expanding by 15.3 percent from the same period last year. In the second half of 2015, it is expected that there will be additional budget disbursement of around 1.60 trillion Baht, increasing by 11.6 percent which include (1) The annual budget in the fourth quarter of FY 2015 of around 541.6 billion Baht, together with the expected budget disbursement in the first quarter of the 2016 of 783.4 billion Baht. (2) The SOEs budget of 131.7 billion Baht. (3) The carry-over budget of 119.7 billion Baht. (4) The off-budget under the economic stimulus package (1st phase) of 4.2 billion Baht and the stimulus package (2nd phase) including investment loan for the road transportation development and water resource management with amount of 16.0 billion Baht (5) The off-budget loan under the Thai Khem Kaeng stimulus package of 4.2 billion Baht.
- 2) **The depreciation of Thai Baht** improves income and liquidity for exporters. In the first half, export value in USD term dropped by 4.8 percent, equivalent to a decline in value of about 5.44 billion USD. At the same time, export value in Baht term declined by 4.0 percent, or a decline in value of 144.4 billion Baht. This suggests that export income and liquidity of entrepreneurs in the first half declined both in USD and Baht terms. In the second half of the year, export value in USD term tends to decline further but export value in Baht term is likely to increase in line with the Baht depreciation which would bring about higher income and liquidity for exporters.

Export value in 2015

Year	% (YoY USD)	Jan-Jun		Jul-Dec		Total
		Total	monthly	Total	monthly	
Million USD						
2014	-0.3	112,296	18,716	115,228	19,205	227,524
2015f (expansion in	-3.0	106,856	17,809	113,842	18,974	220,698
	-3.5	106,856	17,809	112,705	18,784	219,560
	-4.0	106,856	17,809	111,567	18,594	218,423
Million Baht						
2014	-0.3	3,621,229	603,538	3,691,837	615,306	7,313,066
2015f (expansion in	-3.0	3,476,860	579,477	3,993,760	665,627	7,470,621
	-3.5	3,476,860	579,477	3,955,252	659,209	7,432,112
	-4.0	3,476,860	579,477	3,916,744	652,791	7,393,604

Source: MOC, estimate by NESDB

- 3) **Tourism sector** is expected to grow at a strong rate and continues to support the economy. In the first half, the number of inbound tourists totaled 14.9 million, generating income of about 726.9 million Baht, with growth rate of 29.5 and 24.1 percent respectively. Recent data in June suggested extraordinary growth of 53.1 percent. For the rest of the year, the tourist number will continue to expand strongly due to (1) Better tourist confidence toward domestic political situation. (2) Low cost of travel in line with lower oil prices. (3) The MERS outbreak conditions in South Korea which start to return to a normal situation.
- 4) **Global crude oil prices and inflation** is expected to remain low which would help enhance real purchasing power and continue to support the expansionary monetary policy. In the second quarter of 2015, crude oil prices averaged 61.12 USD per barrel, increasing from 52.03 USD per barrel in the first quarter and the lowest level of 45.65 USD per barrel in January. However, in July, oil prices started to drop again. Oil prices on 10th August remains at 49.45 USD per barrel.

❑ Risk Factors and limitations to the economic growth:

- 1) **The global economy tends to grow at a slow pace and possibly become volatile over time.** The global economy in 2015 is likely to grow by 3.1 percent, slower than 3.2 percent in 2014 and will reach the lowest rates in three years. In addition to this, the economic growth and stability in the second half of the year still endure the risks from: (1) The Chinese economy which has a tendency to grow at the rate below the projection and also experiences volatile financial and capital markets. (2) The impact from RMB depreciation to overall economic situations and to monetary policy implementation and exchange rate of other countries. (3) The impact of the U.S. Federal reserve raising policy interest rate to the values of major currencies and to structurally weak economies. This concerns especially the economies whose main engine of growth is primary commodity exportation, whose public debts are mainly external, and whose currencies depreciate abruptly.
- 2) **Depreciation of trade partners' and competitors' currencies:** the Baht currency has depreciated since April 2015 and thus in July 2015 it depreciated by 4.3 percent compared to the value in January 2014. However, the currencies of trading partners and competitors have also been devalued over the same period, by which the Euro, Yen and Australian dollar depreciated by 23.8, 18.8 and 19.6 percent, respectively. Meanwhile, the Malaysian Ringgit and Indonesian Rupiah depreciated by 15.1 and 9.8 percent, respectively. The depreciations of aforementioned currencies amid the global slowdown have restrained the Baht depreciation from benefiting and fostering the recovery in the Thai export volume.

Change in Exchange rate in various Countries

	2014 compare with 2004	Jul 15 compare with Jan 14	Jul 15 compare with Jan 15
EURO	-6.4	23.8	5.6
Japanese Yen	-2.1	18.8	4.3
Canadian Dollar	-15.1	17.6	6.1
Australian Dollar	-18.4	19.6	8.9
China Renminbi	-25.6	2.6	-0.2
Thai Baht	-19.4	4.3	5.0
Singapore Dollar	-25.0	7.0	1.8
Malaysian Ringgit	-13.9	15.1	6.1
Indian Rupee	34.8	2.4	2.4
New Zealand Dollar	-20.0	24.4	14.7
Vietnam	34.5	3.0	1.1
Indonesia Rupiah	32.9	9.8	6.3

Source: CEIC

- 3) **The main agricultural commodity prices still remain low** due to: (1) No clear sign of recovery in the world demand. (2) The appreciation of U.S. dollar. (3) Softening crude oil prices. (4) High level of inventory in the global market while production has also increased. (5) The currency depreciation in producer and exporter countries which allow those countries to benefit more from price competitiveness. This condition thus provides downward pressure on commodity export and agricultural prices which in turn continuously affect export revenues and the agricultural sector.
- 4) **The drought impacts:** in the first half of the year, the agricultural production fell by 4.2 percent which remained a key limitation for the economic growth. The decline in agricultural sector was resulted not only from drought situation, but also decline in agricultural prices and changing pattern of production. Although the amount of rainfall began to increase in August, the drought situation has remained uncertain and is required to monitor closely, in particular when there has no clear sign of recovery in agricultural prices. According to recent data released by several agencies, it has been found that the drought has caused paddy farmers to delay their rice production in 2015, which thus reduce the total rice production by 6.0 - 10.0 million tons, compared to the previous year. Together with impacts from other factors, the agricultural output in 2015 is expected to drop by 3.0 - 4.0 percent, which, in turn, will become a major drawback to the economic growth in the latter half of the year.

Estimated impact of the drought on rice production

	2014	2015			
		First Case	Second Case	Third Case	Fourth Case
Production in Jan-Jun (Million Tons)	10.25	6.85	6.85	6.85	6.85
Growth rate (%YoY)	-3.9	-33.2	-33.2	-33.2	-33.2
Estimation of the drought effect on production in Jul-Dec (%YoY)		-10.00	-15.00	-20.00	-25.00
Total production (Million Tons)	36.78	30.73	29.4	28.07	26.75
Growth rate (%YoY)	-1.8	-16.4	-20.1	-23.7	-27.3
Estimation of the drought effect on GDP (%)		-0.35	-0.43	-0.51	-0.60

Source: MOAC, estimate by NESDB

NOTE: Rice price in the second half of 2015 is supposed to be the same as average rice price in the first half of 2015.

- 5) **The adjustment of commercial banks' interest rates remained slow while commercial banks have still posed high restriction on credit provision.** Despite the fact that the policy interest rate in the first half of the year was reduced by 0.50 percent per annum, average interest rate of the financial institutions declined by only 0.23 percent. Furthermore, commercial banks also continued to pose high restriction on their lending especially to SMEs. These conditions have limited household and business sector to fully benefit from the easing monetary policies.

□ **Key assumption for 2015 economic projection:**

- 1) **The world economy is projected to grow by 3.1 percent**, compared to 3.2 percent in 2014, and is downwardly adjusted from 3.4 percent in the previous estimation. The projected growth would be considered as the lowest rate within past 3 years. This downward revision owes to the downward revision of the U.S. and the Chinese economies, from 3.0 and 7.0 percent in the previous projection down to 2.5 and 6.9 percent respectively. The revisions also include many countries in NIEs and ASEAN economies due to a continual decline in export sector. Nevertheless, it is expected that the Euro zone and Japan prospects will grow by 1.2 and 0.8 percent, respectively, similar to the previous projection.
- 2) **The Thai baht currency is forecasted to be in the range of 33.5 - 34.5 Baht per USD, depreciating from average of 32.47 Baht per USD in 2014**, and down from the previous forecast of 32.7 - 33.7 Baht per USD. Thai Baht in the first seven months averaged 33.15 baht per U.S. dollar and continued to depreciate further. Thai Baht during the first week of August was 35.15 Baht per USD. This has been a result of further easing monetary policies announced by the Bank of Thailand, and the appreciation of the USD under the possibility that the U.S. Federal Reserve might decide to start uplift the policy rate during the rest of the year.
- 3) **Export and import prices in USD term is downwardly revised to (-2.0) - (-1.0) and (-8.0) - (-7.0) percent respectively**, compared to 1.0 and 1.8 percent in 2014, and the previous assumption of (-1.5) - (-0.5) and (-4.5) - (-3.5) percent, respectively. These downward revisions are due to the higher-than-expected export and import price indices in the second quarter and thus led to price decline in the first half falling by 1.8 and 10.3 percent, respectively. Furthermore, the depreciation of major currencies and the slowdown of the Chinese economy will become crucial limitations for the recovery of global commodity price in the latter half of 2015.
- 4) **Number of inbound tourist in 2015 expected to be 30.0 million people, higher than 24.8 million in 2014, and is revised upwardly from the prior assumption of 29.0 million.** The upward revision is based on higher-than-expected tourist number in the second quarter, with the total number of tourist of 7.0 million and a growth rate of 37.6 percent, markedly accelerating from 23.1 percent in the first quarter. Thus, for the first half of 2015 the number of inbound tourist stood at 14.86 million, growing by 29.5 percent, while the number of inbound tourist in the later half is expected to be 15.4 million, expanding by 21.1 percent.
- 5) **Average Dubai crude oil price is expected to be in the range of 50 – 60 US dollar per barrel, unchanged from the previous assumption.** The average Dubai crude oil price in the first seven months of 2015 stood at 56.5 US dollar per barrel, while the Dubai crude oil price started to decline since July. The Dubai crude oil price in the later half is expected to move in the range of 50 – 60 US dollar per barrel due to following key factors: (1) OPEC member countries will not lower their production capacity while non-OPEC countries continue to remain high. (2) The global economic outlook continues to recover at a slow

pace especially the US and the Chinese economies which tend to slowdown from the first half. (3) The appreciation of USD in response to policy rate hike. (5) The lift of sanctions against Iran over its nuclear program by advanced countries which will bring about higher oil export from Iran and continue into 2016.

- 6) **Disbursement of key budget** include (1) FY2015 annual budget disbursement of 93.2 percent, with disbursement of current and capital budget of 98.0 and 70.0 percent respectively. (2) SOEs capital budget disbursement of 75.0 percent. (3) Carry-over budget disbursement of 70.0 percent. (4) The first quarter of FY2016 annual budget disbursement of 29.0 percent, and (5) Loans for water resource management and road transport system project under the 2nd stimulus package of 20.0 percent of total loan amount in the latter half of the calendar year 2015.

World Economic Projection

	Actual Data		Projection of 2015	
	2013	2014	May 18, 2015	Aug 17, 2015
World Economic Growth (%)	3.2	3.2	3.4	3.1
USA	2.2	2.4	3.0	2.5
EU	-0.4	0.9	1.2	1.2
Japan	1.6	0.0	0.8	0.8
China	7.7	7.4	7.0	6.9
World Trade Volume (%)	3.5	3.4	3.9	3.4
Exchange Rate (Baht/US dollar)	30.7	32.47	32.7 - 33.7	33.5 - 34.5
Dubai Crude Oil (US Dollar/Barrel)	105.0	96.5	50.0 - 60.0	50.0 - 60.0
Export Price (US Dollar) (%)	-0.5	-1.0	(-1.5) - (-0.5)	(-2.0) - (-1.0)
Import Price (US Dollar) (%)	-2.1	-1.8	(-4.5) - (-3.5)	(-8.0) - (-7.0)
Tourist (Million Person)	26.7	24.8	29.0	30.0

Source : NESDB

□ Economic Projection for 2015:

The Thai economy in 2015 is projected to expand in the range of 2.7 – 3.2 percent, accelerating from 0.9 percent in 2014. The headline inflation rate is expected to lie between (-0.7) – (-0.2) percent and the current account is forecasted to register a surplus of 4.8 percent of GDP.

According to the NESDB's press release on 17th August 2015, the Thai economy is projected to be in the range of 2.7 – 3.2 percent, downwardly revised from 3.0 – 4.0 percent in the previous projection announced on 18th May 2015. The revision was based upon following key factors:

- 1) Despite the fact that the Thai economy in the first quarter expanded by 2.9 percent which is close to the lower bound of previous projection at 3.0 – 4.0 percent, the growth compared to the previous quarter was only 0.3 – 0.4 percent suggesting that the economic recovery still not yet fully materialized in the first half. Furthermore, the recovery path in the latter half continues to face challenges from (1) External factor including the global economic situation as trade-partner economy remain sluggish and the slow recovery of agricultural prices. (2) Domestic factor due to the drought impact. These aforementioned factors will hinder the Thai economic growth and thus will lessen the possibility of the Thai economy to expand by 3.5 percent which is the mid-point of previous projection.
- 2) The downward revision of the world economic growth from 3.4 percent to 3.1 percent, the lowest expansion rate in 3 years and lower than the 2014 growth rate of 3.2 percent. In the

latter half, it is expected the Chinese economy to have a steady growth while the Japanese and the Eurozone economies are projected to gradually recover amid the weakening of Yen and Euro. Under such conditions, the driving force from the global growth toward export performance will not be able to improve significantly from the first half of the year. Thus, export volume is expected to contract by 2.0 percent compared to an expansion of 1.2 percent in the previous forecast.

- 3) The impact from draught situation become stronger and is likely to be more severe than previously estimate. Recent impact assessment is expected that the drought affect rice production to drop by 6.0 – 10.0 million tons (declining by 17.0 - 27.0 percent), or equivalent to 0.35 – 0.60 percent of GDP. Coupled with impacts from other factors including drop in paddy rice price and the reduction in rice plantation area, the agricultural output in 2015 is expected to decrease by 3.0 - 4.0 percent, which, in turn, will become a key challenge to the Thai economy in the latter half of the year.

□ Key Components of Economic Projection for 2015

- 1) **Consumption: Private consumption** is projected to grow by 1.8 percent, higher than 0.6 percent in 2014, but lower than the expansion of 2.3 percent in the previous projection. The revision is due mainly to lower-than-expected export revenue and the reduced farm income affected by low agricultural prices which still has no clear sign of recovery and by drought situation. Nevertheless, low crude oil prices and higher service receipts particularly from robust growth of the tourism sector will become major supporting factors of private consumption in the second half of the year. Meanwhile, **public expenditure** is projected to grow by 3.8 percent, remaining unchanged from the previous projection, but higher than 1.7 percent in 2014.
- 2) **Total investment** is expected to expand by 6.2 percent, compared to a contraction of 2.6 percent in 2014, and remaining unchanged from the previous projection. **Private investment** is projected to grow by 1.8 percent, improving from a contraction of 2.0 percent, but lower than the growth rate of 3.8 percent in the previous projection. The downward revision is due to the lower-than-expected export which led to slower recovery in production capacity and also high risk from the slowdown of global economy and the volatile global financial market. **Public investment** is expected to grow by 21.8 percent, accelerating strongly compared with a contraction of 4.9 percent in 2014, and revised upwardly from 15.8 percent in the previous projection. This is mainly due to the higher-than-expected growth of public investment in the first half of 2015. Moreover, the disbursement in capital budget in the second half tends to expand well contributed mainly by the government's attempts to expedite the disbursement of capital expenditure under annual budget framework, state-owned enterprises' budget, carry-over budget, and loans for water resource management and road transport system project.
- 3) **Export value of goods** in the USD term is likely to contract by 3.5 percent, compared with a contraction of 0.3 percent in 2014, revised down from the growth rate of 0.2 percent in the previous projection. The downward revision was mainly due to following reasons: (1) The downward revision of the export volume from 1.2 percent growth to a contraction of 2.0 percent following the downward revision of world economic growth and the lower-than-expected export in the first half of 2015. (2) The downward revision of the export price from (-1.5) - (-0.5) percent to a contraction of (-2.0) - (-1.0) percent. Higher-than-expected growth of export of services due to upward revision on tourist numbers assumption, however, could not outweigh the downward revision of export volume of goods. Thus, export volume of goods

⁷ The decline of production was caused by the shifted period of rice cultivation this year so the production would be delayed in 2015's harvest. However, the production will be in market in 2016.

and services is expected to grow by 1.4 percent, lower than the growth rate of 3.7 percent in the preceding projection.

- 4) **Import value of goods** in the USD term is forecasted to decline by 5.5 percent, compared to negative growth of 8.5 percent in 2014, and revised downwardly from the contraction of 0.8 percent in the previous assumption. The downward adjustment is mainly due to (1) The downward revision of import volume from 3.2 percent to 2.0 percent, due to the downward revision of export and domestic demand. (2) The revision of import price from (-4.5) – (-3.5) percent to (-8.0) – (-7.0) percent, responding to a sharper-than-expected contraction in prices of main import products. Together with a downward revision of import of services, the import volume of goods and service is projected to expand by 1.6 percent, compared to a contraction of 5.4 percent in 2014, and a 3.4 percent growth in the last estimation.
- 5) **Trade balance and current account:** The trade balance is likely to register a surplus of 27.7 billion USD, higher than a surplus of 24.6 billion USD in 2014, and slightly improving from 26.6 billion USD in the previous projection of. The improvement is owing to faster decline of import value as compared to export value. Together with an improvement in service account, the current account in 2015 is likely to be in a surplus of 18.8 billion USD, or equivalent to 4.8 percent of GDP, higher than 3.3 percent to GDP in previous year.
- 6) **Headline Inflation** in 2015 is estimated to lie in the range of (-0.7) - (-0.2) percent, compared to a growth rate of 1.9 percent in 2014, and revised down from (-0.2) - 0.7 percent in the previous projection.

6. Economic Management for the remainder of 2015

In the first half of 2015, the Thai economy faces growth constraints from external factors, including the global slowdown, a decline in agricultural commodity price, depreciation of major currencies, and the drought impact. However, the government efforts through the acceleration of annual budget disbursement, fiscal stimuli packages and immediate assistance measures for mitigating Thai people's difficulties, as well as measures for restoring confidence on economy and political stabilities, have contributed to the recovery of public investment and tourism industry, which recorded high growth rate and in turn bolstering the overall economic growth to a satisfactory level in the first half of the year. Nonetheless, the drought situation remains uncertain. These conditions pose significant challenges to the economic growth over the rest of the year as well as affect household income particularly farmers, low-income people, and SMEs. Thus, macroeconomic management, for the rest of the year, should focus on:

1) **Disbursing the government annual budget and public investment to achieve the target** which would help fostering economic growth to achieve satisfactorily level, which consists of:

- (1) **The FY 2015 government annual budget**, especially the capital budget, which shall be disbursed, in the whole fiscal year, no less than 70 percent of total capital budget.
- (2) **The preparation and implementation of government projects under the FY 2016 annual budget**, which could help facilitating the government disbursement in order to achieve about 30 percent disbursement rate in the first quarter of FY2016 (October-December 2015).
- (3) **The disbursement of state-owned enterprises' investment budget**, not to be less than 75 percent of total budget, and especially on key public investment projects.
- (4) **The 2nd Phase of fiscal stimulus package** with total budget of 76,400 million baht to be disbursed no less than 20 percent of total budget for the rest of the year.

2) **Implementing government financial assistance schemes for farmers, drought mitigation and SMEs**, which has already been arranged including:

- (1) **The income enhancing program for low income people**, with total budget of 53,453.9 million baht, and disbursed amount of 47,164.21 million baht.
- (2) **The 2014/2015 drought mitigation aid program**, with total budget of 1,579.41 million baht and disbursed amount of 519.85 million baht.
- (3) **The projects for income generation and farmer capacity development aiming for drought mitigation in local area**, with total budget of 3,051.00 million baht, and disbursed amount of 2,986.07 million baht.
- (4) **The farmer financial assistance programs**, managed by the Bank for Agriculture and Agricultural Co-operatives (BAAC). Under the total budget of 236,000 million baht, BAAC already approved credits worth 79,582 million baht.
- (5) **The financial assistance for households**, managed by the Government Savings Bank, Government Housing Bank and Nano-finance groups. The total credits are worth over 55,000 million baht, with 21,703 million baht already approved.
- (6) **The financial assistance for SMEs**, managed by the SME Bank and Thai Credit Guarantee Corporation, have granted the total credits of 140,000 million baht, with 16,458 million baht of loans already approved.

- (7) The **financial assistance for farmers operated by Ministry of Interior** which was approved by the Cabinet, with total amount of 6,529 million baht.

3) Solving agricultural issues related to production by

- (1) **Minimizing costs of production**, focusing on price of raw materials which are made from petrochemicals, such as fertilizers and pesticides, and machineries imported from countries whose currency's value are weakening in line with the falling of import price and the depreciation of currencies of the major importer countries.
- (2) **Promoting cooperative and collective farming** for small farmers in order to achieve economy of scale, to minimize underemployment, to increase income level, and to support the use of machinery, by which the government will provide appropriate incentives.
- (3) **Promoting the adoption of lease agreements on lands in the form of Production Sharing Contract (PSC)** instead of fixed rental payment agreements, in order to allow land lease cost to be in line with agricultural output price as well as to share the risks from natural disasters.

4) Tackling export-related problems by

- (1) **Strengthening collaboration between public and private sectors in order to seek for new potential export markets** as well as to maintain the Thai Baht to be in line with trading partners' and competitors' currencies by taking into account factors including both the economic fundamental and the external factors.
- (2) **Monitoring and managing the import price of raw materials** to move accordingly with the falling price in the world market and the deprecating currencies of major import partners' currencies. This is in order to maintain costs of production to decrease in line with decreasing export prices, which would help entrepreneurs to maintain their normal profit level and liquidity, especially SMEs business who normally do not engage in import of raw materials and machinery by themselves.
- (3) **Reducing the delays and constraints imposed by the government's procedure and regulation**, for which to minimize transaction costs for exporters. This also includes facilitating international trades especially along trading border areas, enhancing competencies of customs check points as well as expediting the National Single Window procedure to be fully functioned.
- (4) **Solving human trafficking and illegal fishery problems** in order to alleviate the impacts on exports and fishery production.

Economic Projection for 2015¹

	Actual Data		Projection	
	2013	2014	May 18, 2015	Aug 17, 2015
GDP (at current prices: Bil. Bht)	12,910.0	13,148.6	13,635.1	13,470.7
GDP per capita (Bht per year)	193,394.6	196,239.5	202,794.6	200,350.1
GDP (at current prices: Bil. USD)	420.1	404.8	410.7	396.2
GDP per capita (USD per year)	6,293.0	6,041.1	6,108.3	5,892.6
GDP Growth (CVM, %)	2.8	0.9	3.0-4.0	2.7 – 3.2
Investment (CVM, %)	-0.8	-2.6	6.2	6.2
Private (CVM, %)	-0.8	-2.0	3.8	1.8
Public (CVM, %)	-1.0	-4.9	15.8	21.8
Private Consumption (CVM, %)	0.8	0.6	2.3	1.8
Public Consumption (CVM, %)	4.7	1.7	3.8	3.8
Export volume of goods & services (%)	2.8	0.0	3.7	1.4
Export value of goods (Bil. USD)	225.4	224.8	225.2	216.9
Growth rate (%) ^{2/}	-0.1	-0.3	0.2	-3.5
Growth rate (Volume, %) ^{2/}	0.2	0.7	1.2	-2.0
Import volume of goods & services (%)	1.4	-5.4	3.4	1.6
Import value of goods (Bil. USD)	218.7	200.2	198.6	189.2
Growth rate (%) ^{2/}	-0.2	-8.5	-0.8	-5.5
Growth rate (Volume, %) ^{2/}	1.6	-6.8	3.2	2.0
Trade balance (Bil. USD)	6.7	24.6	26.6	27.7
Current account balance (Bil. USD)	-3.9	13.1	16.0	18.8
Current account to GDP (%)	-0.8	3.3	3.9	4.8
Inflation (%)				
CPI	2.2	1.9	(-0.3) – 0.7	(-0.7) – (-0.2)
GDP Deflator	1.6	1.0	(-0.3) – 0.7	(-0.7) – (-0.2)

Source: Office of the National Economic and Social Development Board, August 17, 2015

Note: ^{1/} This data is calculated from the new series of national accounts (see www.nesdb.go.th)

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