



Thai Economic Performance in Q4 and 2014 and Outlook for 2015

Macroeconomic Strategy and Planning Office

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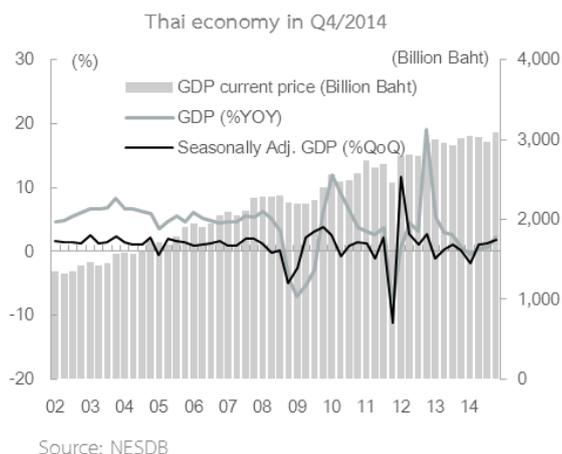
Economic Projection for 2015

(% YOY)	2013	2014			Projection	
	Year	H1	H2	Q4	Year	2015
GDP (at 1988 price)	2.9	0.0	1.4	2.3	0.7	3.5-4.5
Total Investment (at 1988 price)	-2.0	-8.1	3.0	3.2	-2.8	6.0
Private	-2.8	-7.2	4.0	4.1	-1.9	5.0
Public	1.3	-11.3	-0.6	-0.3	-6.1	9.8
Total Consumption (at 1988 price)	1.1	-0.7	2.1	2.4	0.7	3.4
Private	0.3	-1.3	2.0	1.9	0.3	2.9
Public	4.9	3.1	2.5	5.5	2.8	5.6
Export of Goods (US\$)	-0.2	-0.4	-0.1	1.5	-0.3	3.5
Volume	0.2	0.8	0.6	2.7	0.7	3.5
Import of Goods (US\$)	-0.5	-13.3	-3.2	-5.7	-8.5	1.8
Volume	1.6	-12.6	-0.4	-0.5	-6.8	4.8
Current Account to GDP (%)	-0.6	2.6	4.9	10.2	3.8	4.9
Inflation	2.2	2.2	1.6	1.1	1.9	0.0-1.0
Unemployment rate	0.7	0.9	0.7	0.6	0.8	0.8

- The Thai economy in the fourth quarter of 2014 grew by 2.3 percent, accelerating from 0.2 percent in the previous quarter. After seasonal adjustment, the Thai economy expanded from the third quarter by 1.7 percent (%QoQ SA).
- On the expenditure side, main contributions were from, private consumption expenditure, private investment and government expenditure. On the production side, almost all sectors improved, especially manufacturing, construction, and hotel and restaurants sectors which expanded for the first time in several quarters. Meanwhile, wholesale and retail trade and real estate sectors accelerated.
- The Thai economy in 2014 grew by 0.7 percent with 0.3 percent growth of private consumption and a contraction of 2.8 percent of investment. The headline inflation remained subdued at 1.9 percent while the current account recorded a surplus of 3.8 percent of GDP.
- The Thai economy in 2015 is forecasted to grow by 3.5-4.5 percent, contributed by (i) a gradual improvement in export sector in line with a recovery of the global economy, (ii) a recovery of private investment and tourism sector, (iii) an expedition of public expenditure and investment, (iv) a recovery of car sales and production, and (v) the decline in crude oil price. Nonetheless, there are some risk factors and limitations including (i) the agricultural sector that has some limitations since the world agricultural prices has no clear sign of recovery, (ii) the high volatility of the global economic and financial system, and (iii) the trend of currency depreciation among key trading partners and export competitors, as well as the rising real interest rate. It is expected that export value will expand by 3.5 percent while private consumption and total investment will grow by 2.9 and 6.0 percent, respectively. The headline inflation is expected to lie between 0.0 – 1.0 percent and the current account is likely to register a surplus of 4.9 percent of GDP.
- Economic management in 2015 should give priority to (i) providing additional measures for supporting low-income farmers and adjustment of agriculture production apart from a direct subsidy and credit provision measures that were already implemented; (ii) supporting SMEs businesses in the business sector affected by the economic slowdown and currency depreciation of key export market, (iii) encouraging the development of supplement jobs and skill enhancement for low income people. (iv) expediting exports to achieve a target of 4.0 percent growth, (v) speeding up the approval process of on-hold investment projects and the new BOI applications during late 2014, as well as monitoring and expediting approved projects to start their implementation in 2015, (vi) implementing monetary and exchange rate policies to be in line with the economic conditions, and (vii) accelerating the government budget expenditure in FY2015, particularly government capital budget and state-owned enterprises' capital budget disbursement, as well as accelerating key investment projects such as infrastructure project on transportation sector, Special Economic Zone and Dawei development project to encourage private investment's decision.

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

The Thai economy in the fourth quarter of 2014 expanded by 2.3 percent, improving from 0.5, 0.4, and 0.6 percent growth in the first, second, and third quarter of 2014 respectively. **The expenditure side** was contributed by the expansion of private consumption expenditure, private investment, export, and government expenditure. **On the production side**, almost all sectors improved, especially manufacturing, construction, and hotel and restaurants sectors expanded for the first time in several quarters. Meanwhile, wholesale and retail trade and real estate sectors accelerated. After seasonal adjustment, the Thai economy in the fourth quarter of 2014 expanded by 1.7 percent from the third quarter (%QoQ SA), accelerating from 1.2 percent growth in the previous quarter. **In 2014**, the Thai economy grew by 0.7 percent compared with 2.9 percent in 2013.



Thai economy in the fourth quarter of 2014 and in 2014

1) **Private consumption expenditure** expanded by 1.9 percent, compared with a 2.2 percent growth in the previous quarter. Consumer Confidence Index pertaining the overall economic situation rose to 69.6 in this quarter, compared with 60.0, 61.2 and 69.3 in the first 3 quarters of 2014 respectively.

In 2014, private consumption expenditure expanded by 0.3 percent (same level of growth as previous year).

2) **Total investment** grew by 3.2 percent, accelerating from a 2.9 percent growth in the previous quarter. Private investment expanded by 4.1 percent, compared with a 3.9 percent growth in the previous quarter, owing much to expansion in construction. Meanwhile, investment in machinery and equipment slightly decelerated. Public investment contracted by 0.3 percent owing to an 8.0 percent decline in investment by state-owned enterprises. Government expenditure, however, grew by 9.4 percent, both in construction and machinery categories.

In 2014, total investment contracted by 2.8 percent, with a 6.1 percent contraction in public investment and a 1.9 percent contraction in private investment.

3) **Export value** in the fourth quarter of 2014 was recorded at 56.8 billion US dollars – a 1.5 percent growth, compared with a 1.7 percent contraction in the previous quarter. This was contributed by the acceleration in the export of manufacturing products (accounting for 88.7 percent of total export value) which grew by 3.1 percent. However, the value of agricultural products and unwrought gold declined by 8.5 and 12.6 percent respectively, causing the total export value to grow gradually. The export quantity grew by 2.7 percent, while export price contracted by 1.1 percent mainly due to the decline in agricultural prices. **The products which export value increased** included rice, electrical appliances, electronics, automotive, and machinery and equipment. **The products which export value declined** included tapioca, rubber, rubber products, and crustaceans (canned, prepared, or preserved). Exports to the US, EU (15) and ASEAN (9) expanded in this quarter, while exports to Japan and China contracted. Export value (excluding unwrought gold) increased by 1.7 percent. In baht term, the value of export expanded by 4.7 percent.

In 2014, export value declined by 0.3 percent. Export volume increased by 0.7 percent but export price declined by 1.0 percent. In baht term, export value however increased by 5.4 percent

- 4) **Manufacturing sector** grew by 0.7 percent, a significant improvement from a 0.7 percent contraction in the previous quarter and it expanded for the first time after 6 consecutive quarters of contraction. This was supported by a recovery of external demand and domestic consumption. Export value of manufacturing products grew by 3.1 percent. **Industries with positive growth** included clothing, chemical products, and electrical appliances. **Industries which experienced a slower contraction** included automotive, petroleum products, food and beverages, and textile. The capacity utilization rate averaged at 60.1 percent, a close level to the same period last year.

In 2014, the industrial sector contracted by 1.1 percent and the capacity utilization rate averaged at 60.5 percent.

- 5) **The agricultural sector** contracted by 1.6 percent, compared to a 1.6 percent expansion in the previous quarter. This was due to a reduction of rubber, oil palm and fruit production affected by unfavorable weather conditions, such as heavy rainy period in the Southern region, mid-year water shortage, and the decline in prices. Nevertheless, paddy, cassava, sugarcane, livestock, and fisheries grew. This was mainly caused by sufficient rainfalls, conversion of plantation area for more suitable crops, an increase in market demand, and a recovery of white shrimp production from the outbreak of Early Mortality Syndrome (EMS). Meanwhile, agricultural prices dropped, causing a 13.0 contraction in farm income this quarter.

In 2014, agricultural sector expanded by 1.1 percent. The average agricultural prices and farm income decreased by 6.2 and 5.3 percent respectively.

- 6) **Construction sector** grew for the first time in 6 quarters by 3.7 percent, compared with 2.7 percent contraction in the previous quarter, thanks to construction expansion in both private and public sector.

In 2014, construction sector contracted by 3.8 percent.

- 7) **Hotels and restaurants sector** grew by 3.6 percent for the first time after 3 consecutive quarters of contraction, compared with a contraction of 4.6 percent in the previous quarter. Such improvements were observed both in terms of inbound tourist numbers and income. Hotel occupancy rate also began to return to normal, reaching the rate of 64.2 which is a similar level of the same period in 2013.

In 2014, hotels and restaurants sector contracted by 2.1 percent.

The Thai Economic outlook for 2015

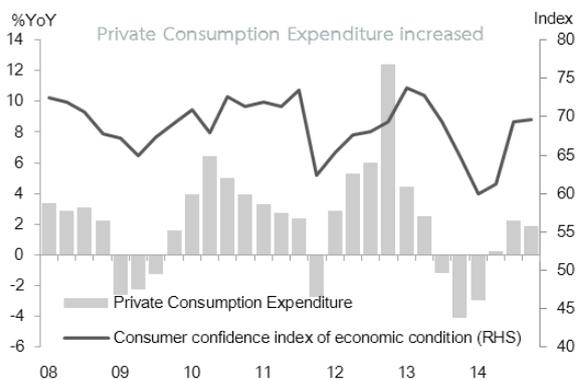
NESDB projects that the Thai economy in 2015 is likely to expand by 3.5 – 4.5 percent, owing to a number of supporting factors include (i) a gradual improvement in export sector in line with recovery of the global economy, (ii) a recovery of private investment and tourism sector, (iii) an expedition of public expenditure and investment, (iv) an expansion of car sales and production, and (v) the decline in crude oil price. Nonetheless, there are some risk factors and limitations including (i) the agricultural sector that has some limitations since the world agricultural prices has no clear sign of recovery, (ii) the high volatility of global economic and financial system, and (iii) the trend of currency depreciation of key trading partners and export competitors, as well as the rising real interest rate. Meanwhile, economic stability is likely to remain sound, both in terms of the growing current account balance (due to export recovery and decline in global crude oil price), and low unemployment. However, inflation rate is expected to decline sharply in the first half of 2015, while the price conditions in the second half of the year will have to be closely monitored. Moreover, export value is forecasted to grow by 3.5 percent, while private consumption and total investment will expand by 2.9 percent and 6.0 percent respectively. Headline inflation is predicted to be in the range of 0.0 – 1.0 percent, while current account will be in a surplus of approximately 4.9 percent to GDP.

1. The Thai Economy in Q4/2014

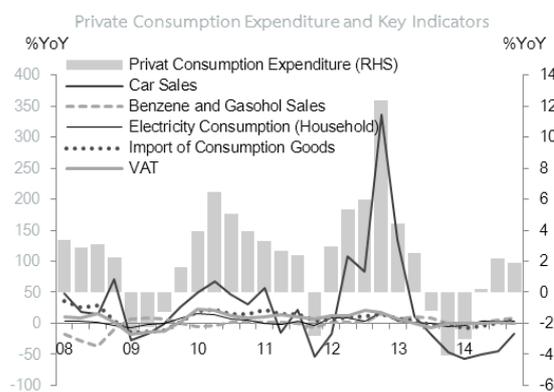
□ Expenditure Side:

Private consumption expenditure: continued to recover, in line with the improvement in Consumer Confidence Index and a slower contraction pace of passenger cars sales. Meanwhile, other spending accelerated. In the fourth quarter of 2014, private consumption expenditure expanded by 1.9 percent, compared with a 2.2 percent increase in the previous quarter. Spending on durable goods continued to contract but at a decelerated rate following a slower contraction pace of passenger cars sales which contracted by 16.3 percent, compared with a 45.8 percent contraction in the previous quarter. There was an increase in other spending, including electricity consumption, the import value of consumer goods, and soda and drinking water with growth of 5.5, 4.4 and 18.9 percent respectively, improving from a growth of 3.9, 0.6 and 11.2 percent in the third quarter. This corresponded with an increase in Consumer Confidence Index pertaining the overall economic situation to 69.6 in this quarter, compared with the levels of 60.0, 61.2 and 69.3 in the first 3 quarters of 2014.

In 2014, private consumption grew by 0.3 percent, maintaining at a level similar to previous year.



Source: NESDB, University of the Thai Chamber of Commerce



Source: NESDB, Department of Energy Business

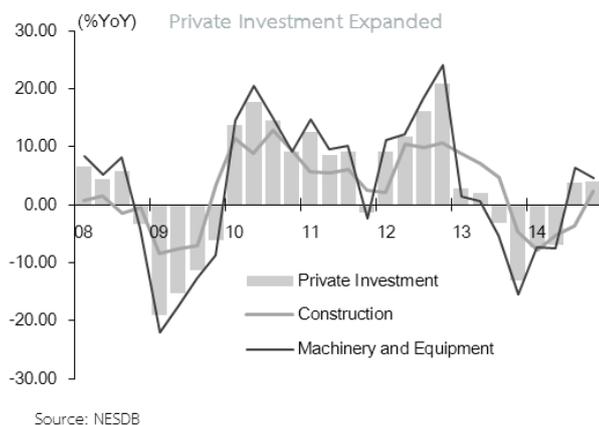
Private investment: accelerated with the support of investment in construction which recovered and grew again. Meanwhile investment in machinery and equipment slightly decelerated. In the fourth quarter of 2014, private investment grew by 4.1 percent, compared with a growth of 3.9 percent in the previous quarter. The **machinery and equipment investment** expanded by 4.7 percent, compared to 6.4 percent contraction in the third quarter. However, there was a decline of 3.5 percent in import value of capital goods. **Investment in construction** expanded by 2.4 percent, compared with a contraction of 3.6 percent in the previous quarter. Construction areas permitted and metal products sales grew by 18.3 and 6.9 percent respectively after having contracted for 2 consecutive quarters. Meanwhile, new investment is likely to improve considerably. The value of net applications for investment promotion to the Board of Investment (BOI) recorded a total value of 1,601 billion baht, increased by 329.2 percent compared with a 84.0 percent growth in the previous quarter. This value is also the highest level ever recorded since the BOI was founded in 2003 as investors submitted their application in December before the previous BOI investment promotion policy expired on 31st December 2014. Meanwhile, the projects approved expanded for the first time in 6 quarters, both in terms of number of projects and investment value approved, which increased by 9.4 and 31.3 percent respectively. This represents a clear improvement compared with the contraction of 5.8 and 29.9 percent in the previous quarter. The Business Sentiment Index (BSI) stood at 48.8 in the fourth quarter, which was a level close to 49.2 in the previous quarter.

In the fourth quarter of 2014 private consumption, private investment, and export expanded.

Private consumption expenditure grew by 1.9 percent, which is consistent with the improvement in Consumer Confidence Index and a slower contraction pace of passenger cars sales.

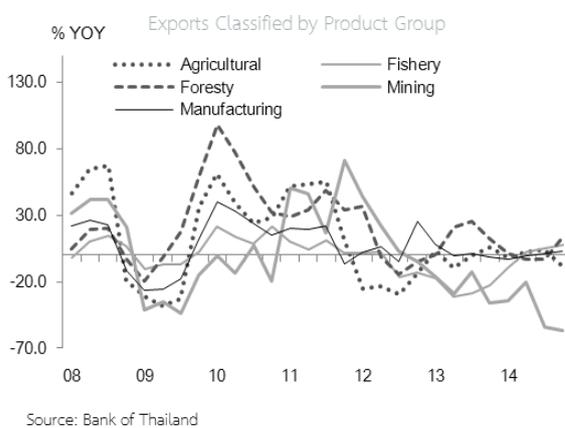
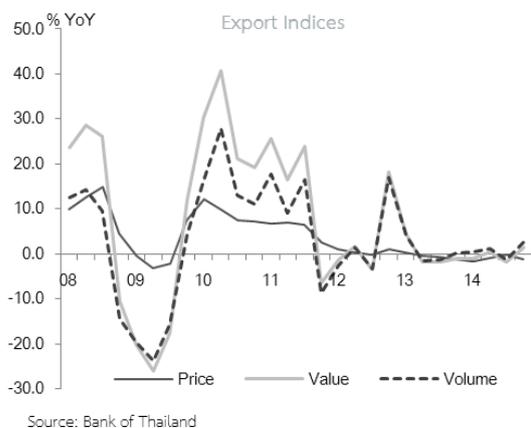
Private investment accelerated from the previous quarter due to expansion in investment in machinery and equipment, and construction.

In 2014, private investment contracted by 1.9 percent. Machinery and equipment investment contracted by 1.3 percent, and construction investment contracted by 3.7 percent.



Exports expanded again due to the economic recovery in key trading partners, especially the US. Export value in the fourth quarter of 2014 was recorded at 56.8 billion US dollars – a 1.5 percent growth, compared with a 1.7 percent contraction in the previous quarter. The export volumes grew by 2.7 percent since the global economy gradually recovered, while export price contracted by 1.1 percent mainly due to the decline in agricultural prices. Export value (excluding unwrought gold) increased by 1.7 percent. In baht term, the value of export, recorded at 1,856.4 billion baht, growing by 4.7 percent, compared with a growth of 0.2 percent in the third quarter.

Export value in US dollars grew by 1.5 percent. Export volume grew by 2.7 percent, while export price contracted by 1.1 percent. In baht term, the value of export expanded by 4.7 percent.



Export of agricultural commodities: declined by 8.5 percent, compared with an expansion of 4.4 percent in the previous quarter. This was due to the 10.0 percent contraction in the export price of key agricultural products, especially rice, and rubber. However, the export quantity of agricultural products increased by 1.6 percent. The export value of **rice** increased by 39.3 percent as there was an increase in export quantity of rice by 72.9 percent, owing to the expedited release of government’s stockpiles, as well as an increase in demand from African countries and government-to-government contract to Indonesia and the Philippines. Similarly, the export value of **tapioca** decreased by 0.2 percent, contributed by a 3.1 percent decline in export quantity. However, the export price increased by 1.7 percent. Meanwhile, the export value of **rubber** declined by 42.1 percent due to a drop in both quantity and price of 13.1 and 33.3 percent, respectively, as global stockpile remains high. Export value of **sugar** increased by 93.3 percent, compared with 13.4 percent growth in previous quarter, resulting from an increase in export quantity particularly to ASEAN and China. **Manufacturing products** continued to grow due to the recovery of global demand. The quantity and value of export increased by 3.4

Export value of manufacturing and fishery products increased, but Export value of agricultural commodities declined.

and 3.1 percent respectively, representing an improvement from a contraction of 0.3 and 0.9 percent in the previous quarter respectively. The export products recorded expansion in value included automotive, petrochemical, electronics, and machinery and equipment which grew by 3.3, 7.0, 6.6, and 8.6 percent respectively. The export products with a contraction in value in this quarter included crustaceans (canned, prepared, or preserved), and petroleum products (6.5 and 22.5 percent contraction respectively). **Fishery products** grew by 7.8 percent. The exports with an increase in export value include shrimp, crab, and lobster which grew by 12.2 percent. **Other exports** contracted by 7.1 percent, mainly due to the decline in unwrought gold exports by 12.6 percent.

In 2014, export value was registered at 224,792 million US dollars, representing a decline of 0.3 percent compared with 0.2 percent contraction in 2013. Export volume increased by 0.7 percent but export price declined by 1.0 percent. In baht term, export value however increased by 5.4 percent compared with a contraction of 1.3 percent in 2013.

Export Value of major product

%YoY	2013					2014								Shared Q4/14
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct	Nov	Dec	
Agriculture	0.0	3.2	-9.8	-0.2	5.9	-1.3	-2.0	2.7	4.4	-8.5	-3.5	-16.2	-6.7	8.1
Rice	-4.6	8.6	-14.0	5.5	-14.0	23.0	4.6	21.5	25.2	39.3	34.7	12.2	67.0	2.9
Rubber	-5.9	-8.7	-16.8	-11.1	13.8	-26.9	-15.5	-24.0	-24.8	-42.1	-40.0	-43.0	-43.0	2.4
Tapioca	18.1	34.9	-8.3	19.1	25.5	13.5	26.9	14.2	15.5	-0.2	7.0	-3.8	-3.1	1.3
Manufacturing	1.8	7.7	-0.4	1.3	-1.1	0.1	-3.1	-0.4	0.9	3.1	6.8	-0.2	2.5	88.7
Sugar	-27.2	-37.4	-22.6	-32.2	-1.2	-4.2	-28.3	-29.8	13.3	93.3	96.5	91.4	91.9	1.3
Crustaceans canned, prepared, or preserved	-19.5	-13.6	-24.6	-21.2	-18.2	-13.8	-25.2	-13.8	-11.8	-6.5	-2.5	-15.7	0.8	0.7
Apparels and textile ma- terials	3.6	1.3	6.8	4.2	2.2	-0.3	-1.3	0.9	-0.4	-0.2	1.6	-3.9	1.6	3.3
Electronics	-0.8	2.3	-8.6	2.4	1.7	1.8	-0.4	-1.7	2.4	6.6	6.6	6.5	6.8	15.3
Electrical Appliances	2.3	13.4	-1.4	-0.8	-0.6	4.5	7.2	2.0	0.1	8.8	8.2	5.6	13.0	5.2
Metal & Steel	-5.5	55.9	6.6	-21.0	-37.2	-11.2	-34.2	-5.5	-0.9	5.9	13.0	-6.5	11.5	4.2
Automotive	7.6	16.8	12.2	7.2	-3.9	0.1	3.0	-1.6	-3.9	3.3	7.9	2.0	-0.2	13.8
Machinery & Equipment	4.0	4.2	-1.5	4.7	9.0	8.5	7.8	9.9	7.8	8.6	11.6	5.7	8.6	8.6
Chemicals	7.6	15.9	10.0	4.6	0.2	-6.0	-7.3	-7.3	-1.9	-7.2	0.7	-20.5	-2.0	3.4
Petro-chemical Products	5.3	9.1	3.8	3.6	4.9	7.6	5.3	11.2	6.8	7.0	14.5	5.9	0.6	5.7
Petroleum products	-1.3	-6.3	-19.4	9.6	11.8	-11.9	-15.5	-0.0	-7.2	-22.5	-9.7	-34.6	-21.6	4.9
Fishery	-25.4	-18.2	-31.6	-28.2	-22.9	1.4	-9.4	2.3	4.7	7.8	16.9	2.4	2.5	1.1
Crustaceans	-33.4	-19.0	-46.5	-35.1	-29.8	-5.3	-27.1	-6.1	-1.3	12.2	23.1	2.2	9.4	0.5
Other Exports	-44.5	-79.1	-25.0	-42.3	-8.2	-12.1	278.4	13.5	-77.4	-7.1	-65.1	57.6	41.4	1.2
Gold	-50.1	-86.8	-29.1	-46.8	-8.7	-15.6	469.3	14.3	-85.4	-12.6	-79.3	71.8	61.0	0.9

Source: Bsnk of Thailand

Export markets: exports to major markets such as the US, EU (15) and ASEAN (9) expanded in this quarter, while exports to Japan and China contracted. Exports to the US grew by 7.2 percent, accelerating from 3.4 percent in the previous quarter, which is in line with the US economic recovery. Meanwhile, Exports to EU (15) grew by 1.7 percent, decelerating from 2.0 percent in the previous quarter, reflecting the deceleration of the European economy. Export to ASEAN (9) grew by 5.2 percent, accelerating from 1.1 percent in the previous quarter. Meanwhile, export to Australia expanded for the first time in 6 quarters by 14.6 percent, compared with a 14.4 contraction in the previous quarter due to expansion in automotive and parts export. Nevertheless, exports to Japan and China continued to contract by 0.6 and 15.3 percent respectively due to the economic slowdown in Japan and China. Similarly, export to Hong Kong contracted by 1.8 percent.

Exports to the US and ASEAN accelerated. Exports to EU (15) slowed down. However, exports to Japan and China declined.

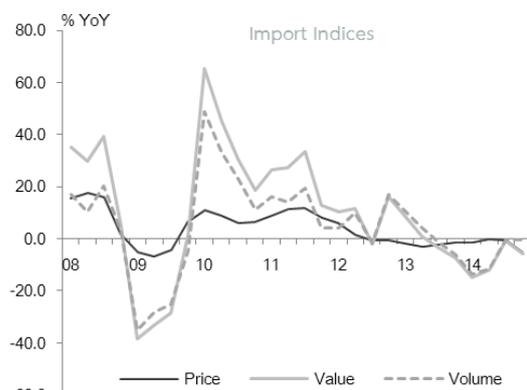
Export Value of major country

(%YOY)	2013					2014								Shared Q4/14
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct	Nov	Dec	
United States	0.7	0.8	-3.5	0.6	5.2	4.1	0.6	4.9	3.4	7.2	6.4	2.7	13.2	11.0
Japan	-5.2	1.5	-6.3	-10.1	-5.5	-1.9	0.7	-6.4	-1.0	-0.6	4.1	-10.7	5.9	9.4
EU (15)	2.7	7.0	-5.3	3.3	6.2	4.7	4.8	10.9	2.0	1.7	8.5	-5.2	1.4	9.1
China	1.4	7.3	-13.4	-0.4	12.9	-7.9	-4.5	-4.2	-6.3	-15.3	-7.8	-18.7	-18.8	11.3
ASEAN (9)	5.0	5.9	2.4	10.8	1.2	0.2	-5.4	-0.1	1.1	5.2	7.2	9.0	-0.6	26.4
Australia	6.0	33.6	16.3	-5.5	-10.7	-10.1	-17.4	-20.3	-14.4	14.6	16.0	24.0	4.5	4.6
Hong Kong	0.7	11.2	7.7	-1.4	-12.0	-4.4	-1.8	1.7	-13.5	-1.8	2.9	1.8	-9.5	5.1
Korea, South	-4.0	-2.2	9.8	-16.3	-6.8	-1.5	-13.3	-3.9	11.7	1.8	-8.1	-5.9	21.2	1.9
Total Exports (Customs basis)	-0.3	3.9	-2.2	-1.7	-1.0	-0.4	-1.4	-0.0	-1.8	1.6	4.0	-1.0	1.9	100.0
Exports, f.o.b. (BOP basis)	-0.2	4.1	-1.9	-1.8	-0.9	-0.3	-1.1	0.3	-1.7	1.5	4.1	-1.8	2.3	98.7

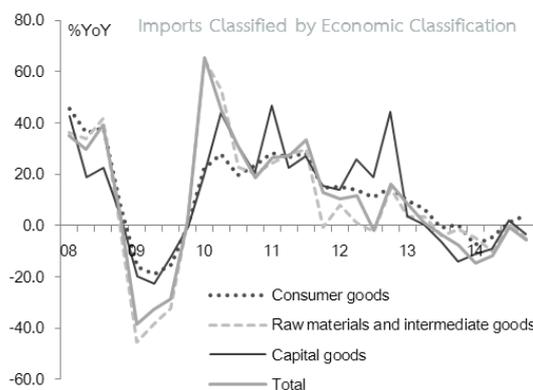
Source: Bank of Thailand

Imports contracted as the import value of crude oil declined with the global prices. In the fourth quarter of 2014, import in US dollar term was recorded at 49.1 billion US dollars or a decline of 5.7 percent, compared with 0.8 percent contraction in the previous quarter. Import quantity declined by 0.5 percent, while the price of imports declined by 5.3 percent due to the decline in the prices of crude oil and gold. With unwrought gold excluded, the value of import contracted by 4.2 percent. In Thai baht term, the value of import was recorded at 1,606.4 billion baht, or a contraction of 2.8 percent compared with a growth of 1.2 percent in the previous quarter

Import in US dollar term declined by 5.7 percent due to decline in the import value of crude oil.



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 consumer goods continue to increase. The **import value of raw materials and intermediate goods** declined by 5.0 percent due to the decline in value of imported crude oil and the slowdown in import by refineries as crude oil price is expected to fall lower. The goods whose import increased include natural gas, petroleum products, materials of base metal, and parts of electronics and electrical appliances. The **import value of capital goods** declined by 3.5 percent. Goods with a contraction in import value include computers, aircrafts, floating structures, locomotive, and other capital goods. The **import value of consumer goods** increased by 4.0 percent, following a positive expansion in import of household electrical appliances, textiles, and jewelry (excluding pearls & precious stones). The value of **other imports** contracted by 22.3 percent, due to the decline in the import of non-monetary gold.

The import value of raw materials, intermediate goods, capital goods, and other imports declined. However, import value of consumer goods continued to increase.

In 2014, the import value was recorded at 200,210 million US dollars, with a negative growth of 8.5 percent, compared with a contraction of 0.5 percent in the previous year. The import volume and import price declined by 6.8 and 1.8 percent respectively. In baht term, import value declined by 3.1 percent, compared with a contraction of 1.8 percent in 2013.

Import Value of major product

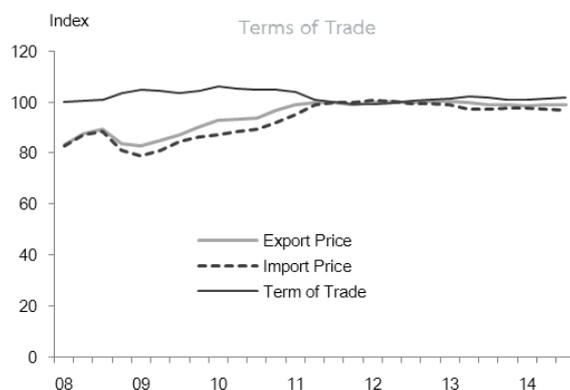
%YoY	2013					2014								Shared Q4/14
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct	Nov	Dec	
Consumer goods	3.7	9.6	6.4	-1.1	0.2	-1.7	-7.3	-4.5	1.1	4.0	3.8	1.3	7.1	9.3
Food, beverage, and dairy products	8.3	17.4	5.0	4.5	6.4	-1.5	-12.4	3.9	4.5	-0.2	2.5	-6.1	3.4	2.4
Household Electrical Appliances	-18.5	-4.2	-3.5	-6.4	-45.2	-8.4	-19.6	-15.5	-7.0	11.9	5.4	7.8	24.0	0.4
Textiles	0.0	-1.8	2.3	4.1	-4.5	4.3	5.9	-0.6	2.4	9.9	10.7	6.7	12.4	0.9
Jewelry (excl. pearls & precious stones)	-15.1	-30.4	5.7	-22.0	-0.5	0.7	-8.2	-4.6	-3.3	21.5	28.5	18.8	17.1	0.4
Other Imports	0.4	3.3	3.4	-3.8	-1.5	-4.8	-4.7	-10.0	1.1	-5.0	-1.1	-3.3	-10.9	57.6
Crude oil	9.8	6.2	10.1	-0.1	23.8	-15.6	-4.3	-20.0	-5.2	-30.4	-19.9	-29.0	-42.6	12.8
Natural gas	16.6	31.5	45.7	-5.1	3.5	-5.6	-6.4	-14.4	-3.9	4.8	-1.1	30.0	-9.6	2.2
Petroleum products	10.2	-1.4	20.2	12.4	9.6	27.8	42.3	25.1	35.2	4.8	5.7	62.6	-30.7	2.5
Materials of base metal	-5.0	10.4	4.3	-16.1	-17.2	-5.8	-19.2	-15.5	7.6	8.6	11.8	7.7	6.1	9.0
Electronic Appliances and parts	-2.9	-1.2	-3.4	-0.2	-6.6	0.1	-4.5	-4.6	-0.4	10.3	6.0	11.4	14.2	12.6
Capital goods	-4.5	3.6	0.2	-6.1	-14.1	-5.5	-11.1	-9.2	1.9	-3.5	-2.3	-11.5	4.6	24.5
Computer	-1.2	39.6	-9.5	-14.6	-11.4	-8.9	-24.3	-9.5	4.1	-1.7	21.0	-3.0	-21.4	0.9
Telecommunication equipment	5.3	4.0	5.9	6.2	5.1	5.9	-1.1	10.0	-1.4	14.2	4.5	6.4	37.5	4.3
Power-generating machinery and parts	-21.5	-21.0	-34.6	31.7	-42.3	-0.2	21.9	9.7	-25.1	5.6	31.5	-21.1	4.0	0.4
Transformers, generators, motors, and accumulators	-21.2	0.6	-27.9	-22.7	-29.1	13.3	4.1	17.5	18.3	13.2	36.0	6.9	-3.2	1.9
Other Machinery and parts	-13.2	-6.3	-13.8	-13.0	-19.3	-6.1	-9.8	-2.6	-5.4	-6.6	-4.3	-16.4	2.4	9.0
Aircrafts	105.9	101.2	1,635.7	91.8	6.7	-31.9	-27.9	-89.5	85.4	-39.5	-32.2	-59.3	-21.7	1.4
Ships	-22.8	-9.2	30.0	-66.1	-20.4	73.7	-66.6	-51.1	392.0	325.4	1,353.5	336.7	-8.5	0.4
Ships' derricks / cranes / floating structures	9.6	30.6	21.1	2.1	-12.1	-38.3	-47.4	-22.3	-29.1	-73.2	-88.9	5.3	-68.1	0.2
Parts of Aircrafts and Ships	24.5	245.1	137.7	111.5	-60.5	1.8	-24.7	84.2	-52.5	77.1	136.2	33.0	142.5	0.3
Other Imports	6.7	42.6	2.5	11.3	-25.6	-39.8	-60.3	-39.5	-23.0	-22.3	-37.3	12.3	-38.7	8.5
Non-monetary gold (excl. articles of goldsmiths)	21.6	55.4	0.8	70.3	-22.7	-56.1	-82.5	-51.8	-22.2	-34.3	-61.8	49.5	-77.7	3.1

Source: Bank of Thailand

Term of Trade improved from the previous quarter. Export price decreased by 1.1 percent while import price decreased by 5.3 percent, thus the term of trade improved from 102.0 in the previous quarter to 105.5 in the fourth quarter of 2014.

In 2014, the term of trade improved to 102.6, compared with 101.7 in 2013. The price of export declined by 1.0 percent, while the price of import declined by 1.8 percent.

Term of Trade improved from the previous quarter.



Source: Bank of Thailand

Trade balance recorded a surplus for the sixth consecutive quarters. The trade balance in the fourth quarter of 2014 recorded a surplus of 7,636 million US dollars (equivalent to 250,051 million baht), compared with a surplus of 4,780 million US dollars (equivalent to 153,315 million baht) in the previous quarter.

In 2014 the trade balance registered a surplus of 24,582 million US dollars (equivalent to 798,624 million baht), higher than 6,661 million US dollars (equivalent to 216,936 million baht) in 2013.

Production Side

Agricultural sector: contracted following a decrease in major agricultural products, especially rubber, oil palm and fruit. In the fourth quarter, the sector contracted by 1.6 percent, compared with a 1.6 percent expansion in the previous quarter. This was in line with a 3.5 percent contraction of agricultural production index due to: (i) a heavy rainfalls in the Southern region resulted in less tapping days for rubber, while price remained low, (ii) a mid-year water shortage caused less production of oil palm, and (iii) a dry spell in March-May affected fruit maturity of pineapples. However, other major agricultural productions rose including paddy, cassava, sugarcane, livestock, and fisheries. This was mainly due to (i) a higher yield of in-season paddy following a sufficient rain, (ii) a conversion of maize’s plantation area to cassava following a higher price of cassava, (iii) a conversion of unfavorable paddy’s plantation area to sugarcane, (iv) a higher production of broilers and eggs due to higher demands from both domestic and external markets, and (v) an early stage of recovery in white shrimp production from the outbreak of Early Mortality Syndrome (EMS).

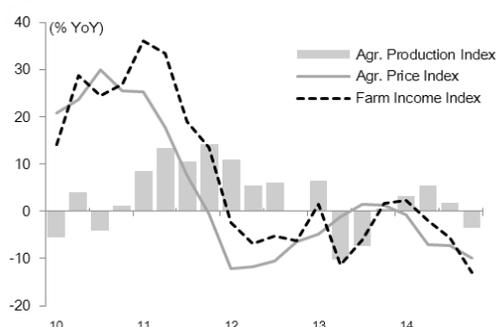
Agricultural Price Index dropped by 9.8 percent, particularly in rubber, paddy, and white shrimp owing to (i) a decline in rubber prices due to lower imports from China and a high global stock of rubber, (ii) a decrease in paddy prices following declining world price, and (iii) an increase in white shrimp production while export to major market declined which thus led to decline in shrimp price. However, other agricultural products experienced an increase in price including cassava, oil palm, and livestock. This was caused by (i) a supply shortage of cassava oil palm and palm oil, and (ii) unfavorable hot weather, and epidemic outbreak in swine. All in all, a drop of agricultural price and production caused farmer income to contract by 13.0 percent in this quarter.

In 2014, the agricultural sector expanded by 1.1 percent. The Agricultural Product Index rose by 1.0 percent. Agricultural Price Index and farm income dropped by 6.2 and 5.3 percent, respectively.

Trade balance recorded a surplus.

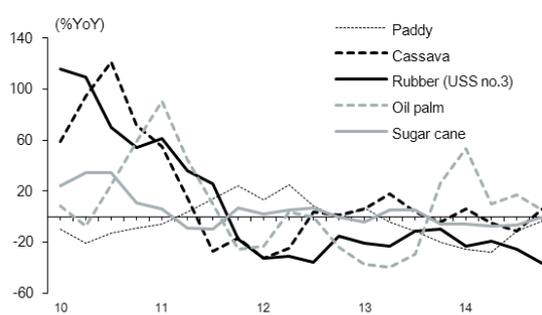
Agricultural sector declined by 1.6 following a decrease in major agricultural products, especially rubber, oil palm and fruit. A drop of agricultural price and production caused farmer income to contract by 13.0 percent in this quarter.

Farm income declined by 13.0 percent following a contraction in agricultural production and price



Source : OAE

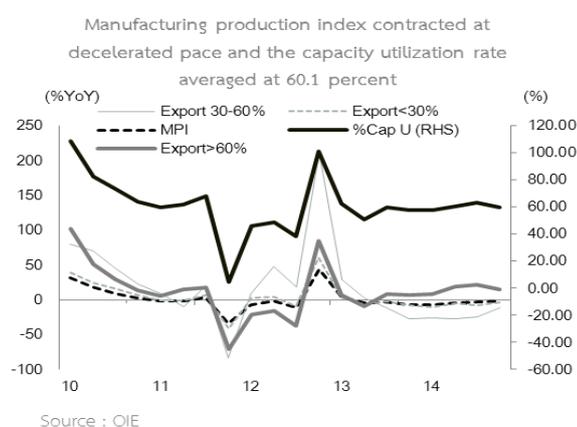
The prices of cassava and oil palm increased, while paddy and rubber's decline



Source : OAE

Industrial sector: expanded for the first time in 7 quarters, owing to recovery of the manufacturing product export, an increase in domestic-oriented industries and a back-to-near normal production of car. **In the fourth quarter**, industrial sector slightly increase by 0.7 percent compared to a drop of 0.7 percent in the third quarter and was a first expansion after a consecutive drop for 6 quarters. This was supported by a domestic household expenditure and external demands. Export value of manufacturing products grew by 3.1 percent. In details, industries with positive growth included clothing (8.3 percent), chemical products (6.0 percent), machinery and parts (6.7 percent), and television and radio equipment (6.5 percent). Industries which experienced contraction at decelerated pace included automotive (9.4 percent), petroleum products (8.6 percent), food and beverages (0.4 percent), and textile (0.6 percent). The capacity utilization rate averaged at 60.1 percent, a close level to the same period last year.

In 2014, the industrial sector contracted by 1.1 percent. Manufacturing Production Index (MPI) decreased by 4.6 percent and the capacity utilization rate averaged at 60.5 percent.



Construction sector: expanded for the first time in 6 quarters. In the fourth quarter, construction sector increased by 3.7 percent following both public and private constructions which increased by 5.1 and 2.4 percent, respectively. This was in line with an increase in permitted construction areas and sale volume of steel products by 18.3 and 6.9 percent, respectively, compared with a decrease of 11.2 and 12.6 percent in the previous quarter. However, construction material price contracted by 0.8 percent following a continued contraction of steel price and global oil price.

In 2014, the construction sector contracted by 3.8 percent.

Real estate sector: accelerated. In the fourth quarter, real estate sector rose by 3.8 percent, accelerated from 0.2 percent in the previous quarter. **On demand side**¹, personal housing credit expanded by 12.2 percent, while housing right transfer in Bangkok and vicinities areas decreased by 4.8. **On supply side**, completed registered housing within Bangkok and vicinities areas and real estate development credit continued to rise by 4.8 and 3.1 percent, respectively. Likewise, price of condominium increased by 14.0 percent.

In 2014, the real estate sector increased by 0.4.

Hotel and restaurants sector: recovered and expanded for the first time in 4 quarters due to clear recovery pace of number of tourist, revenue and average occupancy. **In the fourth quarter**, hotel and restaurants sector grew by 3.6 percent, improving from a 4.6 percent contraction in the previous quarter. Number of inbound tourists stood at 7.5 million persons or grew by 7.0 percent following the increased number of Asian tourists, particularly from China, Malaysia, and India by 69.9, 10.6 and 3.6 percent, respectively. The increase of Asian tourists

Industrial sector expanded for the first time in 7 quarters owing to an increase in domestic-oriented industries and a back-to-near normal production of car.

Construction sector expanded by 3.7 percent following an increase in public and private constructions by 5.1 and 2.4 percent, respectively.

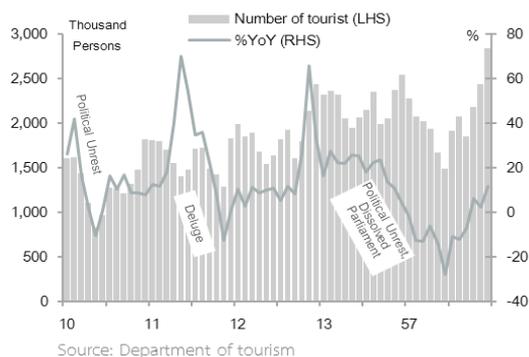
Real estate sector rose by 3.8 percent following an expansion in demand and supply, meanwhile, the real estate price improved, especially price of condominium.

¹ Housing credits and real estate development credit were accumulating data as of the end of November 2014.

was offset the decreased number of major tourists from Russia, Korea and Japan by 24.1, 11.9 and 8.8 percent, respectively. The tourism revenue was 394.8 billion baht or increased by 13.2 percent. The average hotel occupancy rate was at 64.2 percent compared with 64.5 percent in the same period last year.

In 2014, hotel and restaurants sector contracted by 2.1 percent. The inbound tourist number was 24.8 million persons (or contracted by 6.7 percent). The tourism revenue declined by 2.5 percent and the average hotel occupancy rate was at 55.6 percent.

Inbound-tourist number in the fourth quarter 2014 rose for the first time in 1 year by 7.0 percent.



Wholesale and retail trade sector: accelerated following a recovery of household consumption and an improvement of consumer confidence. **In the fourth quarter**, the sector expanded by 2.3 percent, accelerated from 0.2 percent and 0.6 percent increases in the two previous quarters. For **wholesale trade**, agricultural materials and food improved by 15.7 and 4.9 percent, respectively. An increase by 0.08 percent of construction materials, compared with a drop by 4.5 percent in the previous quarter, was in line with an improvement in private consumption and a recovery in the construction sector. However, wholesale of fuel decelerated by 0.63 percent compared with a 7.8 percent increase in the previous quarter, which associated with a declined production of petroleum. For **retail trade**, most trade indices improved, especially food and beverages, pharmaceutical and medical goods, textiles and department store sales increased by 35.9, 9.5, 8.1 and 3.9 percent, respectively. However, automobiles continued to decrease at decelerated pace by 8.8 percent compare with a 12.3 percent drop in the previous quarter which was associated with a near-normal car sale and production.

In 2014, wholesale and retail trade sector increased by 0.6 percent.

Employment: employment in agricultural sector contracted, but employment in non-agricultural sector increased. The unemployment rate also continued to be in low level. **In the fourth quarter**, the employment dropped by 0.1 percent following a 4.9 percent decrease in agricultural employment. This was associated with the contraction in major agricultural products including rubber, oil palm and fruit. However, non-agricultural employment grew by 2.5 percent following a favorable growth in industrial and service sector including (i) employment in hotel and restaurant increased by 4.7 percent in line with an improvement in tourism and (ii) employment in industrial sector rose by 4.4 percent following an increase in employment in food, and electrical appliances, and clothing industries. As a result, unemployment was low at 0.6 percent, or accounted for 237,270 persons (decline by 19,290 persons compared with the same period last year).

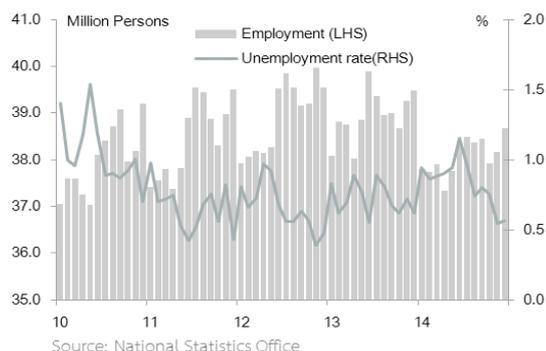
In 2014, Employment decline by 0.4 percent and unemployment rate was low at 0.8 percent.

Hotel and restaurants sector notably recovered and expanded for the first time in 4 quarters by 3.6 percent. The inbound tourist number was 7.5 million persons or grew by 7.0 percent.

Wholesale and retail trade sector expanded by 2.3 percent following a recovery of household consumption and a continued improvement of overall consumer confidence.

Employment declined by 0.1 percent following a decline in agricultural employment by 4.9 percent, while non-agricultural employment increased by 2.5 percent. Thus, unemployment remained low at 0.6 percent.

Employment declined by 0.1 following a decline in agricultural employment, while unemployment rate was low at 0.6 percent



Employed Persons by Industry

%YOY	2013					2014							
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct	Nov	Dec
Employed (100%)	-0.1	1.3	0.9	-1.2	-1.3	-0.4	-0.4	-1.2	0.3	-0.1	-0.3	-0.6	0.1
- Agricultural (34.1%)	-0.2	1.2	0.5	-1.7	-0.4	-2.4	1.0	-2.9	-2.2	-4.9	-4.4	-6.2	-4.8
- Non-Agricultural (65.9%)	0.0	1.4	1.1	-0.8	-1.9	0.7	-1.0	-0.3	1.7	2.5	1.8	2.6	2.9
Manufacturing (16.9%)	0.8	1.1	-1.3	2.5	0.9	1.6	-0.8	1.9	1.0	4.4	2.4	5.2	4.6
Construction (5.6%)	2.0	6.0	5.6	-3.2	-1.4	-5.0	-7.2	-6.4	-3.0	-2.5	-8.9	-1.5	2.9
Wholesale (15.9%)	0.2	3.5	2.3	-1.2	-3.7	-0.2	-1.5	-2.7	3.2	0.4	-0.7	3.5	-1.8
Hotel and Restaurant (6.7%)	-0.3	4.4	7.2	-6.0	-6.4	1.2	-2.0	-1.9	4.6	4.7	5.8	3.2	5.4
Unemployment (Hundred thousand persons)	2.8	2.8	2.9	3.1	2.6	3.2	3.4	3.9	3.3	2.4	2.9	2.1	2.2
Unemployment Rate (%)	0.7	0.7	0.7	0.8	0.7	0.8	0.9	1.0	0.8	0.6	0.8	0.5	0.6

Source: National Statistics Office

□ Fiscal Conditions

On the revenue side, the amount of tax revenue collection was higher than the target and the same period of last year. In the first quarter of the fiscal year 2015 (October to December 2014) the net government revenue collection stood at 506,978.9 million baht, higher than the target and the same quarter of last year by 1.0 and 0.7 percent, respectively. This was mainly because export duties compensation was sent back to the government. Nonetheless, the amount of tax that were levied by 3 main tax agencies including the revenue department, the excise department and the custom department, were lower than the target and the same quarter of last year by 2.9 and 1.9 percent, respectively. The drop in collection was caused by the deceleration of the revenues from corporate and vehicle excise taxes by 6,747.2 and 6,476.5 million baht, or 7.0 and 23.6 percent, respectively.

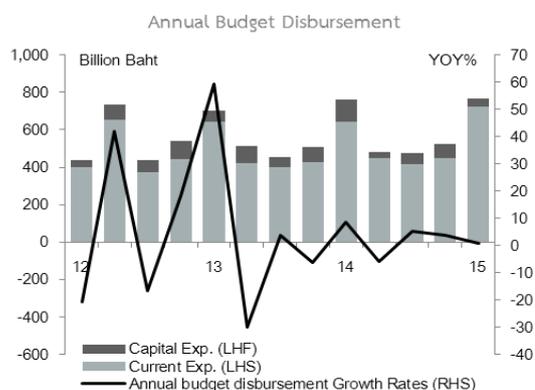
On the revenue side, the amount of tax revenue collection was higher than of the projection and of the same period of last year. Nonetheless, the amount of tax, levied by 3 main tax agencies, were lower than the projection and the same quarter of last year, especially reductions of corporate and vehicle excise taxes

Government Revenue

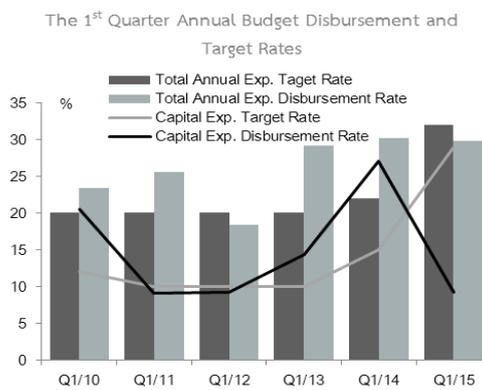
Fiscal Year (Billion Baht)	2013					2014					2015
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1
Net Government Revenue	2,161.6	508.5	469.7	641.8	541.6	2,075.0	503.5	437.2	608.3	526.1	507.0
Compared with the target (%)	2.9	16.2	5.2	-1.4	-4.2	-8.8	2.5	-6.1	-13.9	-14.1	1.0
YOY (%)	9.4	27.6	13.8	3.4	-0.4	-4.0	-1.0	-6.9	-5.2	-2.9	0.7

Source: Ministry of Finance

On the expenditure side, the total budget disbursement in the first quarter of the fiscal year 2015 (October to December 2014) was at 969,958.1 million baht, increased by 2.3 percent from the same period of last year. Classified by its source of fund, the government disbursements are as follows: **(i) The 2015 annual budget disbursement** in this quarter was at 766,310.4 million baht, increased by 0.7 percent from the same period of last year, and equivalent to 29.8 percent of the 2015 annual budget, which was lower than the target of 32 percent. In detail, the current expenditure disbursed at 725,037.8 million baht, expanded by 12.6 percent from the same period of last year (equivalent to 34 percent of total budget, which were higher than the same period of last year at 30.8 percent). Meanwhile, the capital expenditure disbursed at 41,272.6 million baht, decreased by 64.6 percent compared with the same period of last year. (equivalent to 9.3 percent of annual budget, which were lower than the target and the same quarter of last year of 29.0 and 27.0 percent, respectively). The significant drop in the overall capital expenditure disbursement was mainly attributed to the low capital expenditure disbursement of the Department of Local Administration. This was because the general grant budget, which transfers from the department of local administration to local administrative organizations, was re-categorized from a capital expenditure to current expenditure. Nevertheless, the capital budget disbursement in the first quarter exclude that of department of local administration would be at 40,381.0 million baht, increased by 230.3 percent from the same period of 2014 fiscal year.



Source: GFMS



Source: GFMS

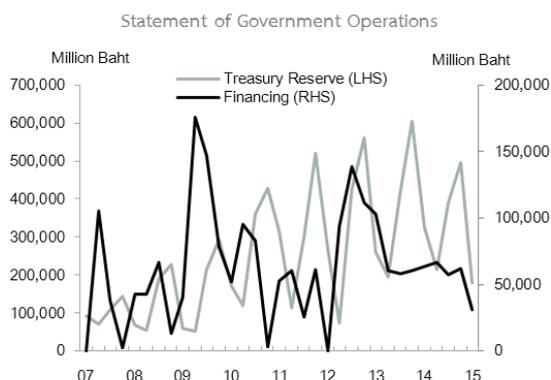
(ii) the carry-over budget disbursement was at 77,792.5 million baht, increased by 10.7 percent from the same period of last year (the disbursement rate was equivalent to 22.6 percent, which were higher than the rate of the same period of last year of 23.3 percent). **(iii) the off-budget loans** disbursement was at 2,565.3 million baht, which included Thai Khem Kaeng stimulus package phase II (TKK) of 974.4 million baht, the Development Policy Loan (DPL) of 1,004.1 million baht and the Royal Decree on Investment Loan for Water Resource Management and Future Development of 586.8 million baht, and **(iv) State-owned enterprises'** capital expenditure budget was expected to disburse at 123,289.9 million baht, increased by 11.6 percent compared with the same period of last year. The improvement was largely contributed by the disbursement of the PTT Public Limited, State Railway of Thailand and Mass Rapid Transit Authority of Thailand. The SOEs with decline in the disbursement of capital expenditure included the Thai Airways and Electricity Generating Authority of Thailand.

Fiscal Balance: in the first quarter of fiscal year 2015, the budgetary balance recorded a deficit of 344,680.0 million baht, increased by 3 percent from the same period of last year. The increasing deficit was a result of an increase of carry-over budget disbursement. Furthermore, the non-budgetary balance also recorded a deficit of 3,025.0 million baht. The gross cash balance recorded a deficit in the total of 347,705.0 million baht. Meanwhile, the government has conducted a cash balance management through borrowing total of 31,283.0 million baht. Therefore, the cash balance after debt financing recorded a deficit of 316,422.0 million baht.

The capital budget disbursement rates were lower than the targets and disbursement rates of previous fiscal year.

At the end of the first quarter of fiscal year 2015, the treasury reserve amounted at 179,324.3 million baht

The treasury reserve at the end of 2014 fiscal year stood at 495,746.3 million baht. Together with the deficit recorded at the end of first quarter of fiscal year 2015, the treasury reserve at the end of this quarter amounted at 179,324.3 million baht.

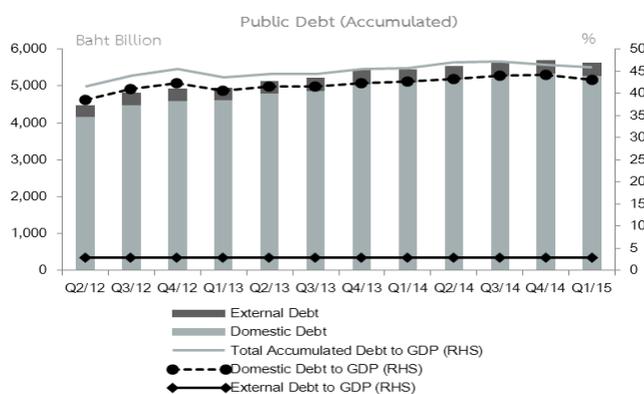


Source: MOF

Public Debt, at the end of the first quarter of fiscal year 2015, was accumulated at 5,623,973.8 million baht (equivalent to 45.8 percent of GDP), declined from the previous quarter by 66,840.3 million baht. The public debt was comprised of domestic loans of 5,274,551.9 million baht (43.0 percent of GDP) and foreign loans of 349,422.0 million baht (2.8 percent of GDP).

The components of public debt consisted of Direct Government debt of 3,954,659.3 million baht (70.3 percent of total public debt), State Own Enterprises debt (non-financial Institution) of 1,073,800.7 million baht (19.1 percent), and Special Financial Institutions debt (guaranteed by the government) of 587,543.4 million baht (10.4 percent).

The Public Debt was at 45.8 percent of GDP and remains under the fiscal prudential framework.



Source: PDMO

Financial Conditions

In the fourth quarter of 2014, policy interest rate remained unchanged at 2 percent per annum. The decision was based on the assessment that the current policy rate is at an appropriate level in supporting the economic recovery. Meanwhile, many countries started to loosen their monetary policies in order to stimulate their economies and to mitigate the risk of deflation. Major industrialized countries, Japan and EU, implemented a monetary expansion, while the central bank of Canada, Denmark and Switzerland lowered its policy rate by 0.25, 0.15 and 0.25 percent, respectively. Similar to regional countries, the central bank of China and South Korea decreased its policy rate in the fourth quarter. On the contrary, Indonesia tighten its monetary policy by increased the policy rate to tackle domestic inflation. Moreover, Russia dramatically increased its policy rate from 8.00 percent to 17.0 percent to defuse its currency

Policy interest rate remained unchanged. While many countries decreased its policy rate in order to stimulate an economy and mitigate the risk of deflation.

crisis before lower it down to 15 percent during January. During the first quarter of 2015, India declined its policy rate by 0.25 percent and China lowered the reserve requirement ratio (RRR) by 0.5 percent. Nevertheless, in the latest MPC meeting on 28th January 2015, MPC continued to keep policy rate at 2 percent per annum, with the assessment that current policy rate is not an obstacle for economic recovery and promptly secured the economic stability.

An average deposit and lending rates of four major commercial banks remained relatively stable comparing to the prior period. In the fourth quarter of 2014, an average 12-month deposit rate and an average Minimum Loan Rate (MLR) of four commercial banks was stable at 1.73 and 6.75 percent per annum, respectively. The constant rates were in line with policy interest rate. However, medium commercial banks increased their average 12-month deposit rate by 0.12 percent per annum to 1.87 percent per annum, while Specialized Financial Institutions (SFIs) decreased their average 12-month deposit rate by 0.09 percent per annum to 2.04 percent per annum. Meanwhile, medium commercial banks and SFIs kept their MLR unchanged at 7.17 and 6.92 percent per annum, respectively.

Real deposit and lending rates increased from the previous quarter. The real deposit rate increased from -0.03 percent per annum to 1.13 percent per annum in line with the real lending rate, which increased from 5.00 percent per annum to 6.15 percent per annum. The increase in real deposit and lending rates were mainly due to declining in inflation rate.

An average deposit and lending rates of four major commercial banks remained relatively stable comparing to the prior period.

Real deposit and lending rates increased from the previous quarter, due to the declining in inflation.

Policy Interest rate

At the end Period	2013					2014							2015	
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct	Nov	Dec	Jan
USA	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	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	0.75	0.50	0.50	0.25	0.05	0.25	0.15	0.05	0.05	0.05	0.05	0.05	0.05
Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.75
Denmark	0.20	0.30	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.05
Switzerland	0.125	0.125	0.125	0.125	0.125	-0.50	0.125	0.125	0.125	-0.50	0.125	0.125	-0.50	-0.75
Russia	5.50	5.50	5.50	5.50	5.50	17.00	7.00	7.50	8.00	17.00	8.00	9.50	17.00	17.00
China	6.00	6.00	6.00	6.00	6.00	5.60	6.00	6.00	6.00	5.60	6.00	5.60	5.60	5.60
South Korea	2.50	2.75	2.50	2.50	2.50	2.00	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.00
Philippine	5.50	5.50	5.50	5.50	5.50	4.00	3.50	3.50	4.00	4.00	4.00	4.00	4.00	4.00
Malaysia	3.00	3.00	3.00	3.00	3.00	3.25	3.00	3.00	3.25	3.25	3.25	3.25	3.25	3.25
India	7.75	7.50	7.25	7.50	7.75	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	7.75
Indonesia	7.50	5.75	6.00	7.25	7.50	7.75	7.50	7.50	7.50	7.75	7.50	7.75	7.75	7.75
Thai	2.50	2.75	2.50	2.50	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00

Source: CEIC

Deposits including Bill of Exchange (B/E) of Commercial Bank accelerated after continuously decelerated for two consecutive quarters. In the fourth quarter, deposits expanded by 6.0 percent, improved from 3.2 percent in the previous quarter. The improvement in deposit was largely driven by issuance of special deposit products by some commercial banks in order to secure their customer base.

Private loans (excluding accrued interest) grew by 2.0 percent slowed down from 3.9 percent in the third quarter, following a decline in both business and household loans. Business loan decelerated to 2.6 percent growth compared to 5.7 percent growth in the previous quarter, due to the fact that Thai economy was in the early phase of recovery. Furthermore, household loan slowed down from an expansion of 7.8 percent to an expansion of 6.5 percent. The slowdown of household loan was partly due to the hike in restriction of loan approval. In detail, most of the

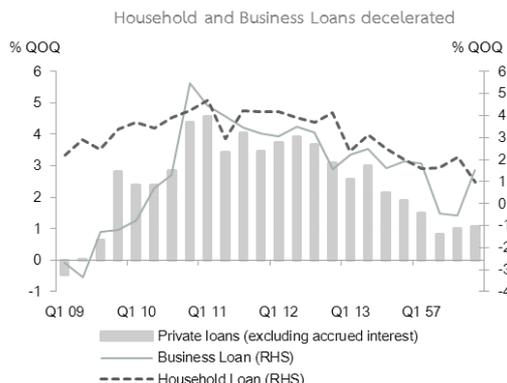
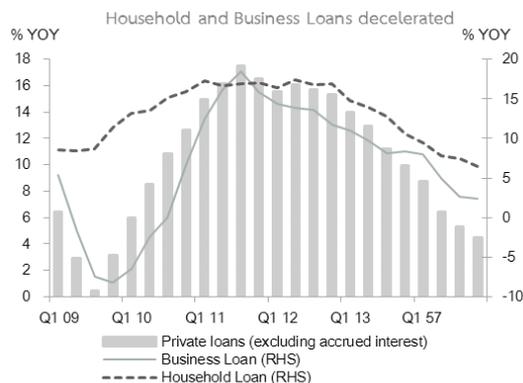
Deposits including Bill of Exchange (B/E) of Commercial Bank accelerated from the previous quarters.

Private loans slowed down, following a decline in both business and household loans.

sectors registered a slowdown except loan in purchase or hire purchase cars and motor-cycle and land purchase that shown sign of improvement. On the other hand, credit card expenditure registered a growth of 12.6 percent, accelerated from the expansion of 6.0 percent in the previous quarter.

Loan to deposit ratio of commercial bank system declined while excess liquidity² improved from the previous quarter. Commercial bank's credit (excluding repurchase position: RP) to deposits (including B/E) ratio decreased to 97.6 percent from 101.0 percent at the end of third quarter following the decline in the private loans and the expansion of deposits (including B/E). This resulted in the improvement of excess liquidity from 1,371.7 billion baht to 1,581.1 billion baht.

Loan to deposit ratio of commercial bank system declined while excess liquidity improved from the previous quarter.



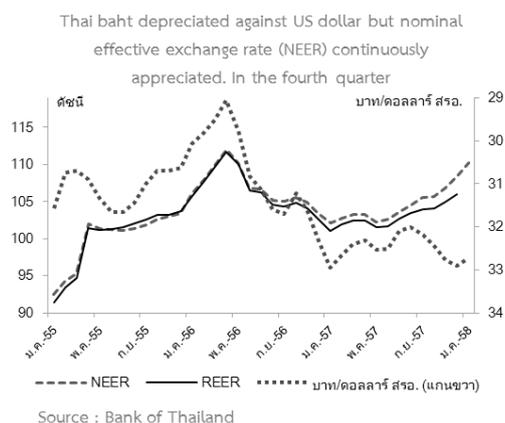
Thai baht depreciated against US dollar but nominal effective exchange rate (NEER) continuously appreciated. In the fourth quarter, Thai baht was fluctuated in the depreciate trend throughout the quarter due to the rise in investor confidence over the recovery of US economy and the expectation that FED might shift its monetary policy direction. Together with the likelihood that Japan and EU will further loosen their monetary policy, thus, US dollar was appreciated against other currencies including Thai baht. Furthermore, the outflow of capital from foreign investor in Thai capital market and outflow of Thai investor capital in both direct investment abroad and portfolio investment were further fueled the depreciation of Thai baht. As a result, an average exchange rate in the fourth quarter of 2014 stood at 32.71 baht per US dollar, depreciated by 1.9 percent and 3.1 percent compared with the previous quarter and the same period of last year, respectively. In 2014, an average exchange rate was at 32.48 baht per US dollar, depreciated by 5.7 percent from 2013. However, Thai baht bounced back from the capital inflow following the implementation of Japan and EU monetary expansion. Thus, an average exchange rate in January 2015 stood at 32.73 baht per US dollar, appreciated from the last period of 2014. Recently between 2-13 February 2015, Thai baht movement remained fluctuated in the range of 32.53 – 32.68 and average exchange rate was at 32.61, appreciated from January 2015.

Thai baht depreciated against US dollar but nominal effective exchange rate (NEER) continuously appreciated.

On the contrary, Thai baht against trading partner's appreciated when compared to the previous quarter and the same period of last year. This was owing to the depreciation of trading partner's currencies. At the end of the fourth quarter, Nominal Effective Exchange Rate (NEER)³ was at 105.5, appreciated by 2.9 and 5.0 percent compared with the previous quarter and the same period of last year, respectively. In the same light, Real Effective Exchange Rate (REER) appreciated by 1.9 and 3.2 percent compared with the previous quarter and the same period of last year, respectively.

² 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.

³ The BOT would begin 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 recorded net outflow, following the outflow from both Thai and foreign investors. In the fourth quarter of 2014, capital and financial account registered a net outflow of 7.18 billion US dollars, continued from a net outflow of 1.85 billion US dollars in previous quarter. This was mainly due to net outflow in Banking sector and Other sector. Moreover, most of the outflow was concentrated in Thai direct investment abroad, portfolio investment of foreign investor as well as the short term loan payment of depository institution and the loan for foreign investor.

Capital and financial account recorded net outflow, following the outflow from both Thai and foreign investors.

Capital Flow

(Billion USD)	2013	2014						
	Year	Year	H1	H2	Q3	Q4	Nov.	Dec.
Capital and financial account	0.26	-15.54	-6.51	-9.04	-1.85	-7.18	-0.79	-4.65
Government	4.53	1.25	-1.28	2.53	2.11	0.42	-0.02	-0.02
Monetary Authorities	-4.56	-2.96	0.35	-3.31	-1.18	-2.13	-0.22	-0.09
Bank	-0.83	-5.79	-1.51	-4.28	-1.43	-2.85	-1.74	-2.30
Others	1.13	-8.05	-4.06	-3.98	-1.35	-2.63	1.18	-2.26
Direct Investment	6.08	4.91	3.31	1.60	1.80	-0.20	-0.23	-0.77
Thai investor	-6.73	-6.63	-2.68	-3.95	-1.76	-2.19	-0.36	-1.33
Foreign investor	12.81	11.54	5.99	5.55	3.56	1.99	0.13	0.56
Portfolio Investments	-7.25	-10.69	-6.46	-4.23	-1.60	-2.63	1.11	-1.13
Thai investor	-2.76	-7.95	-5.30	-2.65	-1.87	-0.78	0.94	-0.21
Foreign investor	-4.49	-2.74	-1.16	-1.58	0.27	-1.85	0.17	-0.92
Loans	10.78	-5.82	-1.62	-4.20	-2.17	-2.03	-1.96	-1.07
Other	-9.34	-3.95	-1.74	-2.21	0.11	-2.32	0.32	-1.67

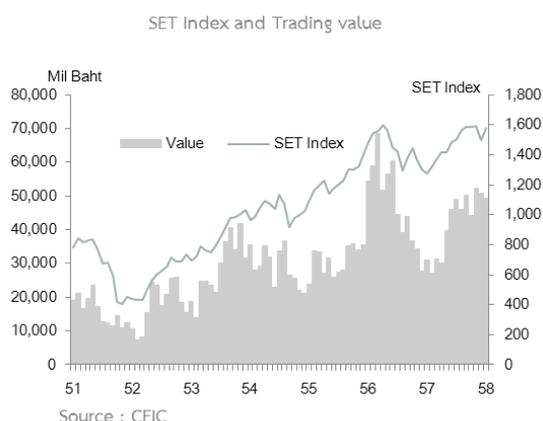
Source: BOT

SET index fluctuated in a downward trend following the net sell position by foreign investors. At the end of the fourth quarter, SET Index closed at 1,497.7 points, decreased by 5.6 percent from the previous quarter. Average trading value slightly rose to 49.0 billion baht increased from 48.5 billion baht in the previous quarter. In the first two months of the fourth quarter, SET index fluctuated in the bullish trend from the buy position of institutions investor and proprietary trading. SET index reached its new peak of over 1,600 points partially owing to window dressing action by mutual funds and the market anticipation over Japan and EU monetary expansion measures which will compensated the termination of Fed's QE measure. Nevertheless, the rising concern of the faster-than-expected interest rate hike by the FED and the drop in global crude oil price had led the foreign investor and proprietary trading to conduct

SET index fluctuated following the monetary policy direction of major industrialized country.

profit taking action in order to reduce overall investment risk. As a result, foreign investor registered a net-sell of 32.8 billion baht.

In January 2015, foreign investor continually posed a net sell of 4.3 billion baht. Nevertheless, SET index closed at 1,581.3 points, increased by 5.6 percent from December 2014. This is mainly due to the anticipation of the EU's monetary expansion, which expected to increase liquidity in the capital market after the Fed's has terminated its QE measure. During 2nd-13rd February 2015, SET index remain volatile following the global economic situation and monetary policy direction of major industrialized and regional countries.



The government bond index rose as demand for Thai government bonds heightened. In the fourth quarter, Thai government bond yield at the end of this quarter shifted downward in nearly all maturities following the decline of US government bond yield. Moreover, these downward movement also caused by new bonds issuances in Thai's primary market were lower than demand of investors both local and foreign. As a result, the government bond index continually increased from the previous quarter. In addition, foreign investors registered a net buy of 9.9 billion baht, compared to 128.0 billion baht in the previous quarter and an average daily outright trading volume in this quarter was registered at 71.6 billion baht, decreased from 74.0 billion baht in the third quarter.

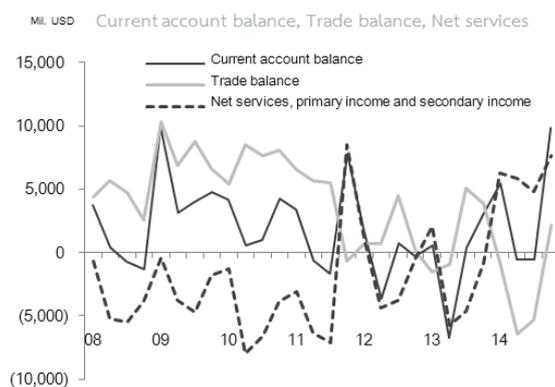
In January 2015, the government bond index continually rose due to the demand by local investors. Meanwhile, foreign investors registered a net sell of 1.8 billion baht as the further monetary easing in major industrialized countries had induced foreign investors to shift their investment to higher yield assets. In addition, an average daily outright trading volume registered at 81.2 billion baht, increased from 67.9 billion baht last month.

Current account in the fourth quarter of 2014 registered a surplus of 9,815 million US dollars (316,767 million baht), compared with a deficit of 526 million US dollars (16,983 million baht) in the previous quarter. This was a result of a trade surplus of 7,636 billion US dollars and a surplus in services, primary and secondary income of 2,180 billion US dollars.

In 2014, current account registered a surplus of 14.2 billion US dollars (equivalent to 460.7 billion baht), compared with a deficit of 2.5 billion US dollars (equivalent to 63.7 billion baht) in 2013.

New issuance in primary market was lower than investors demand.

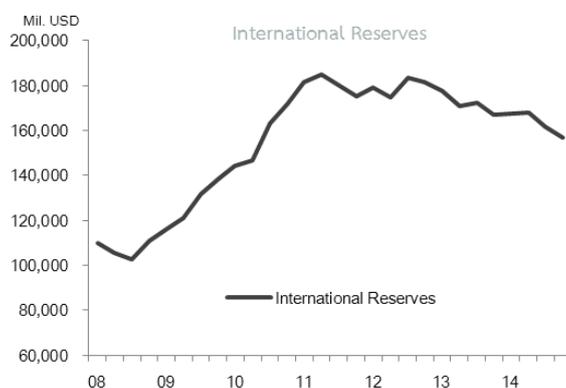
Current account registered a surplus.



Source: Bank of Thailand

International reserve at the end of December 2014 stood at 157.11 billion US dollars (excluded net forward position of 23.13 billion US dollars), which was equal to 2.6 times of short-term foreign debt (at the end of the third quarter of 2014) or 9.6 months of import value (the average of import value in the fourth quarter of 2014).

International reserve at the end of December 2014 stood at 157.11 billion US dollars.



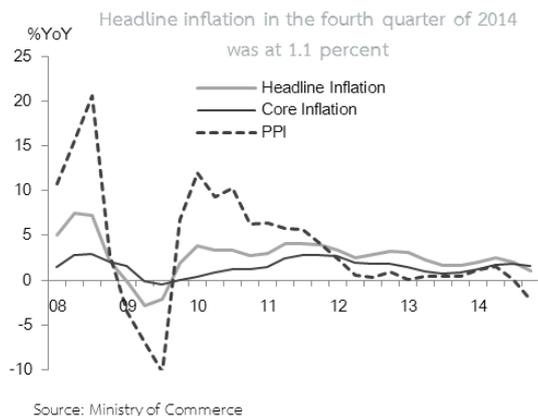
Source: Bank of Thailand

Headline inflation in the fourth quarter of 2014 was at 1.1 percent, decelerating from 2.0 percent in the third quarter due to a decline in the price of domestic fuels, as well as other government measures to assist people with costs of living and requesting for a retail price restraints during the second half of 2014. **Food-and-beverage price index** increased by 3.3 percent, decelerating from 4.0 percent in the previous quarter due to the seasonal decline in prices of eggs and dairy products, fruits and vegetable as there are excess supply in the market. The **non-food-and-beverage price index** declined by 0.03 percent, decelerating from 1.0 percent increase in the previous quarter. This was mainly due to the decline in domestic retail fuel prices, which in line with the drop in global crude oil price. Consequently, the energy price indices declined by 3.1 percent, compared with a increase of 2.2 percent in the previous quarter (first decline in 5 years and 1 month). The core inflation stood at 1.6 percent, compared with 1.8 percent in the previous quarter.⁴

Headline inflation in the fourth quarter of 2014 was at 1.1 percent, decelerating from 2.0 percent in the previous quarter.

In 2014, headline inflation was at 1.9 percent, slowed down from 2.2 percent in the previous year. Core inflation was at 1.6 percent, compared with 1.0 percent in 2013.

⁴ In January 2015, headline inflation was -0.4 percent while core inflation was 1.6 percent.



Producer Price Index (PPI) in the fourth quarter of 2014 declined by 2.2 percent, decelerating from 0.1 percent increase in the previous quarter, due to the decline in prices of all product groups, including agricultural, mining and manufactured products. The price of agricultural products declined by 2.0 percent, due to the decline in the prices of agricultural products and fish and fishery. Meanwhile, the prices of mining products decreased by 4.8 percent as the price of lignite, petroleum and natural gas declined. The price of manufactured products decreased by 2.2 percent especially the price of petroleum products as the prices of crude oil substantially declined.⁵

Producer Price Index (PPI) in the fourth quarter of 2014 declined by 2.2 percent.

In 2014, Producer Price Index increased by 0.1 percent, slowing down from a 0.3 percent increase in 2013. The price of agricultural products decreased by 0.1 percent, whereas the price of mining and manufactured products increased by 3.7 and 0.2 percent respectively.

⁵ In January 2015, Producer Price Index declined by 5.4 percent.

2. Crude oil price movement in Q4/2014

The crude oil price in the global market declined. In the fourth quarter of 2014, the average crude oil price in the 4 major markets (Dubai, Oman, Brent and WTI) stood at 74.86 US dollars per barrel or a decline of 28.8 percent, which is a substantial decline compared with a 5.9 percent contraction in previous quarter. This was a decline in all markets, including Dubai, Oman, Brent and WTI which declined from an average price of 86.58 US dollars per barrel in October 2014 to 77.23 and 60.78 US dollars per barrel in November and December 2014 respectively. Comparing with the previous quarter, crude oil price declined by 25.6 percent.

The primary reasons for such drastic decline in global crude oil price includes (1) an increase in global supply from a high production capacity outside OPEC, especially in the US and Canada, and the fact that OPEC refused to cut production as it wishes to keep its market share, and (2) a gradual increase in global demand due to the slow pace in global economic recovery, especially in Euro Zone, Japan and China.

In 2014, the average crude oil price in the 4 major markets (Dubai, Oman, Brent and WTI) stood at 96.38 US Dollars per Barrel, which was lower than the level of 104.52 US Dollars per Barrel in 2013.

Crude Oil Price

Year		US Dollars per Barrel					Growth (%YOY)				
		Oman	Dubai	Brent	WTI	Average	Oman	Dubai	Brent	WTI	Average
2012	Q1	117.02	116.19	118.50	103.05	113.69	16.1	15.6	12.5	9.6	13.5
	Q2	106.45	106.35	108.55	93.60	103.74	-4.2	-3.9	-7.2	-8.6	-5.9
	Q3	106.55	106.32	109.84	92.09	103.70	-0.9	-0.7	-3.0	2.7	-0.6
	Q4	107.48	107.46	110.19	88.02	103.29	0.4	1.0	0.6	-6.5	-1.0
	Year	109.37	109.08	111.77	94.19	106.10	2.6	2.7	0.5	-0.9	1.3
2013	Q1	108.20	108.19	113.17	94.29	105.96	-7.5	-6.9	-4.5	-8.5	-6.8
	Q2	100.85	100.77	103.31	94.13	99.77	-5.3	-5.2	-4.8	0.6	-3.8
	Q3	106.44	106.30	110.25	105.80	107.20	-0.1	0.0	0.4	14.9	3.4
	Q4	106.87	106.83	109.59	97.36	105.16	-0.6	-0.6	-0.5	10.6	1.8
	Year	105.59	105.53	109.08	97.90	104.52	-3.5	-3.3	-2.4	3.9	-1.5
2014	Q1	104.39	104.26	107.90	98.47	103.76	-3.5	-3.6	-4.7	4.3	-2.1
	Q2	106.22	106.10	109.74	103.04	106.27	5.4	5.4	6.0	9.3	6.5
	Q3	101.59	101.28	103.38	96.28	100.63	-4.3	-4.5	-5.7	-8.9	-5.9
	Q4	75.14	74.30	77.02	73.00	74.86	-29.7	-30.4	-29.6	-25.2	-28.8
	Year	96.82	96.48	99.49	92.71	96.38	-8.2	-8.5	-8.6	-5.6	-7.7
	Oct	86.78	86.75	88.27	84.51	86.58	-18.6	-18.6	-19.4	-16.0	-18.2
	Nov	77.69	76.14	79.63	75.46	77.23	-26.7	-28.1	-26.2	-19.6	-25.3
	Dec	60.95	60.02	63.15	59.01	60.78	-43.5	-44.4	-42.9	-40.0	-42.8
2015	Jan	46.46	45.65	49.77	47.40	47.32	-55.3	-56.1	-53.6	-50.0	-53.8
	1 - 12 Feb	55.94	54.14	55.64	50.69	54.10					

Source: Thai Oil PCL

WTI Price Projection

Institution	2015 (USD/Barrel)
Deutsche Bank AG (January 2015)	55.00
EIA (January 2015)	54.58
Barclays (December 2014)	65.75
Goldman Sachs (January 2015)	47.15

Source: Collected by NESDB

The crude oil price declined due to an increase in supply and gradual rise in demand constrained by economic slowdown in Euro Zone, Japan, and China.

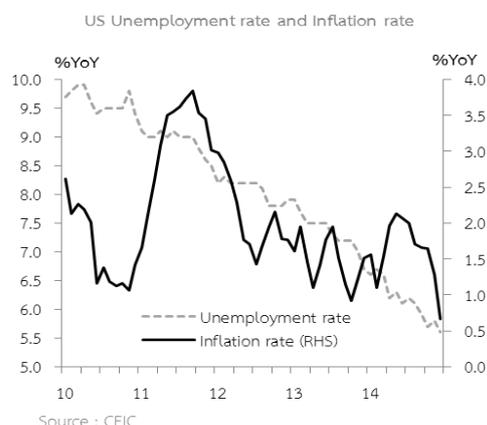
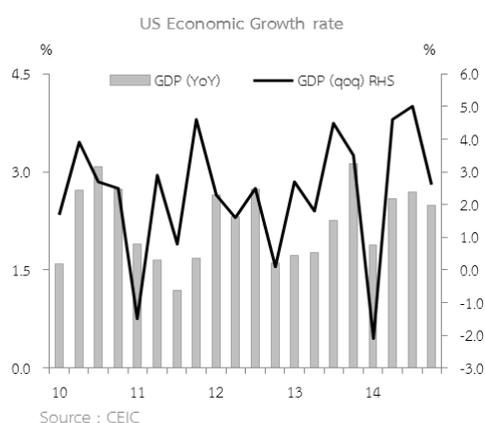
3. The World Economy in Q4/2014

The world economy in the fourth quarter of 2014: major economies experienced a slowdown, particularly the US economy which softened after enjoying a robust growth in the previous quarter. Meanwhile, the Japanese and the EU economies started to show some signs of gradual recovery though remained fragile. Similarly, the Chinese and NIEs economies also faced with a slowdown. However, the ASEAN economies continued to grow strongly. Inflation declined in most countries, especially in the Eurozone which remained under deflationary pressures. Following the economic slowdown amidst a sharp decline in inflation, many countries continued to carry out monetary easing as well as introduce additional stimulus economic program in particular those countries which have increasing risk of economic slowdown and deflation.

- US economy slowed down after a high growth in the previous quarter:** In the fourth quarter, the US economy grew by 2.6 percent (%QoQ, saar.), slower than 5.0 percent in the previous quarter. Compared with the same period of last year, the economy expanded by 2.5 percent, softening from 2.7 percent in the third quarter. Such slowdown owed mainly to a decline in net exports following a U.S. dollar appreciation and weaker economic activities in major trading partners. However, the domestic demand still continued to expand well. Personal consumption expenditures and private investment expanded by 2.8 and 6.3 percent. Unemployment rate dropped to 5.7 percent while inflation rate averaged 1.2 percent, lower than the 2-percent target. In December 2014, inflation declined to a 5-year lowest rate of 0.66 percent. As a result of a continued economic recovery, the improvement in labor market and lower inflation, the FOMC decided to maintain its policy rate at 0.0-0.25 percent on 17th December 2014. In 2014, the US economy reached the 4-year high of 2.4 percent growth, spurring from 2.2 percent in 2013.

The world economy in the fourth quarter of 2014: major economies experienced a slowdown, particularly the US economy. Meanwhile, the Japanese and the EU economics started to show some signs of gradual recovery

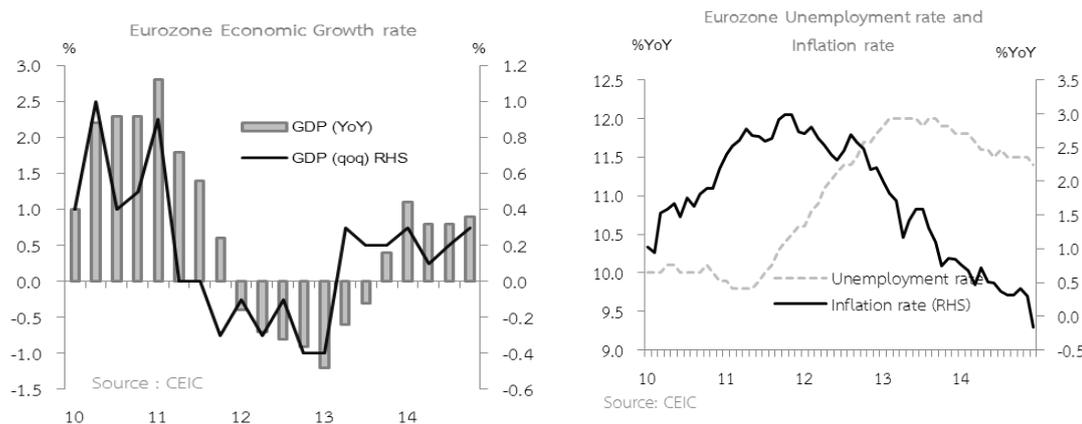
US economy slowed down after a high growth in the previous quarter; the US economy in the fourth quarter grew by 2.6 percent (%QoQ, saar.), slower than 5.0 percent in the previous quarter due to a decline in net exports despite domestic demand still continued to expand well



- Eurozone economy remained under risk of entering into recession and higher deflationary pressure.** In the fourth quarter, the EU economy grew by 0.3 percent (%QoQ, sa), compared with 0.2 percent in the third quarter. On year-on-year basis, the Eurozone economy grew by 0.9 percent (%YOY), accelerating from 0.8 percent in the third quarter. Inflation in the fourth quarter stood at 0.18 percent while in December 2014 the rate turned to a negative growth of 0.2 percent, the first time over past 5 years. Fragile economic recovery was in line with worsened consumer confidence as well as tighter credit conditions in which the household and business loans still declined. Moreover, unemployment rate remained above 10 percent for 42 consecutive months. Due to weak economic activity and rising deflationary pressure, member state of EU launched a 315 billion euro investment plan over the next three years on 18th December 2015. This was after the ECB introduced a new open market operation

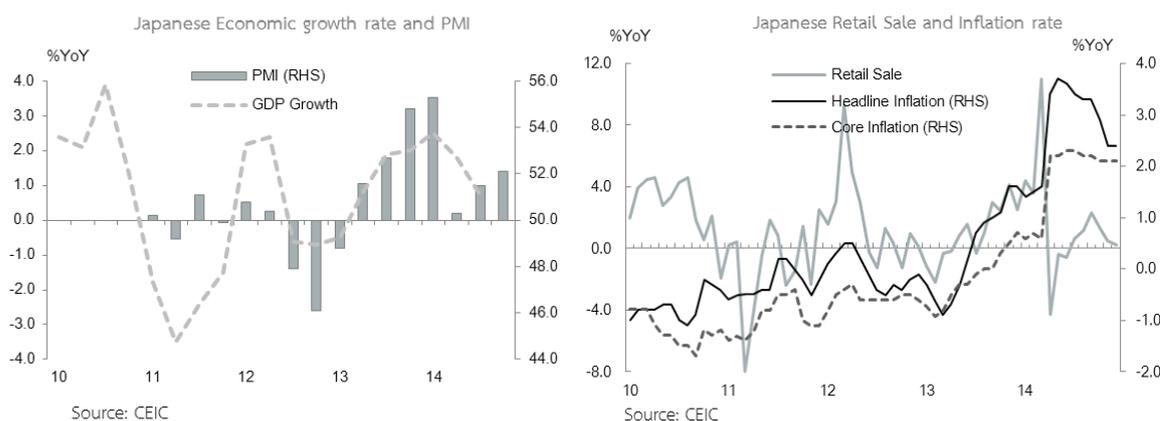
Eurozone economy remained under risk of entering into recession and higher deflationary pressure. In the fourth quarter, the EU economy grew by 0.3 percent (%QoQ, sa), compared with 0.2 percent in the third quarter.

programs in October 2014 by buying the ABS purchase programme (ABSPP) and covered bond purchase programme (CBPP3).



- Japanese economy showed signs of gradual recovery from recession though domestic demand remained weak.** The Japanese economy tends to improve from a contraction of 1.7 and 0.5 (QoQ, sa) percent in the second quarter and the third quarter respectively. Moderate economic recovery was driven mainly by yen depreciation that contributing to higher export growth from 3.2 percent in third quarter to 9.2 percent in the fourth quarter. Manufacturing sector also improved. However, domestic consumption remained weak. Retail sales in fourth quarter grew by 0.8 percent, slowing down from 1.4 percent in the previous quarter which also in line with worsened consumer confidence. Unemployment and inflation rates steadily fell to 3.5 and 2.6 percent respectively. As a consequence of a slow economic recovery amidst a steady decline in inflation and weak domestic demand, the Bank of Japan (BOJ) decided to pursue additional monetary easing by increasing monetary base from 60 – 70 trillion yen per year to 80 trillion yen per year on 31 October 2014.

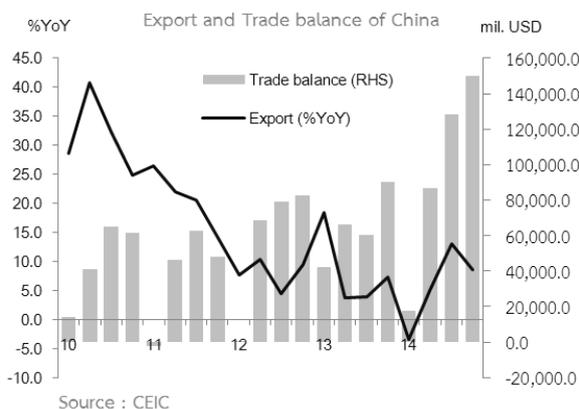
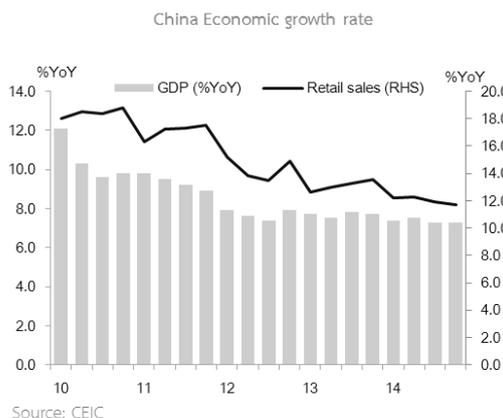
Japanese economy showed signs of gradual recovery from recession though domestic demand remained weak



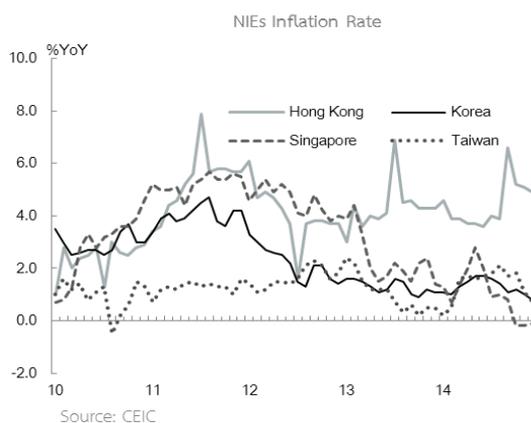
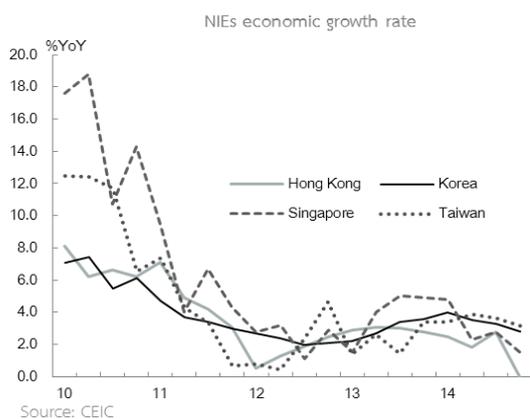
- Chinese economy grew slower than the first half of 2014.** In the fourth quarter, the Chinese economy expanded by 1.5 percent (%QoQ sa.), less than 1.9 percent in the previous quarter. Based on year-on-year, the Chinese economy expanded by 7.3 percent (%YoY) similar rate to the previous quarter but lower than average of 7.5 percent in the first half of 2014. The slowdown was mainly due to a continuous decline in domestic demand both investments in residence and retail sales. At the same time, exports also decelerated following the Yuan appreciation and slowdowns in major trading partners. However, trade surplus rose since a decrease in imports was higher than a decrease in exports. Meanwhile, inflation rate softened

Chinese economy grew slower than the first half of 2014. In the fourth quarter, the Chinese economy expanded by 1.5 percent (%QoQ sa.), less than 1.9 percent in the previous quarter.

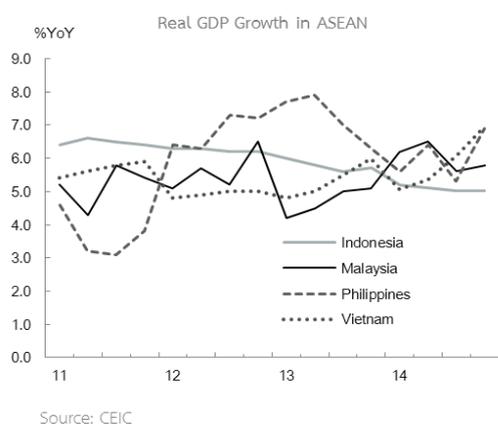
to 1.5 percent compared to 2.0 percent in the previous quarter. As a result of weak economic activity, both domestic demand and exports, and continual declines in inflation, The central bank of the Republic of China (PBC) decided to ease its monetary policy for the first time in July 2012 by cutting the lending rate by 0.40 percent to 5.6 percent and one-year deposit rate by 0.25 percent to 2.75 percent. In 2014, the economy grew by 7.4 percent, down from 7.8 percent in 2013, the lowest rate in 24 years



❑ **NIEs economies slowed down in the fourth quarter.** Korea, Taiwan and Singapore economies expanded by 2.7, 3.2 and 1.5 percent, decelerating from 3.2, 3.6 and 2.8 in the third quarter respectively. The slowdowns were primarily due to a slowdown of household spending and lower net export. Hong Kong economy also tends to show a slower growth because of slowdowns in manufacturing, retail sales and export sector. Inflation rate declined in most countries especially Singapore’s inflation which was recorded a negative rate for first time in 5 years. However, Hong Kong’s inflation rate climbed up since the Government ended the public housing subsidies. In 2014, Korea and Taiwan economies grew by 3.3 and 3.5 percent respectively, up from 3.0 and 2.2 percent in previous year. However, the Singapore economy expanded by 2.8 percent in 2014, slowing down from 3.9 percent in 2013.



□ **ASEAN economies expanded well:** In the fourth quarter of 2014, most ASEAN economies continued to grow well. The Vietnam economy expanded by 7.0 percent speeding up from 6.1 percent in the previous quarter, mainly driven by a strong growth in the service, industrial and construction sectors. Similarly, the Philippines economy expanded by 6.9 percent, higher than 5.3 percent in the previous quarter, owing to the improvement in household consumption, government expenditure and exports. The Indonesia economy expanded by 5.0 percent, similar rate to the previous quarter. This is because stronger investment growth was weighted down with a slowdown in government expenditure and a decline in exports. The Malaysia economy expanded by 5.8 percent, accelerating from 5.6 percent in the third quarter, thanks to stronger private consumption and total investment. Exports however slowed down. The inflation rate decreased in most countries due to the sharp fall in oil prices. Indonesia’s inflation, however, increased as a result of the removal of the fuel prices subsidy. In 2014, Vietnam, Indonesia, Philippines, and Malaysia economies expanded by 6.0, 5.0, 6.1 and 6.0 percent respectively, compared with 5.4, 5.8, 7.2 and 4.7 percent in 2013.



Economic and export Growth in NIEs and ASEAN

	GDP Growth			Export Growth					
	Q1/57	Q2/57	Q3/57	Q1/57	Q2/57	Q3/57	Aug.	Sep.	Oct.
NIEs									
Hong Kong	2.6	1.8	2.7	0.6	4.9	5.9	6.5	4.5	n.a.
South Korea	3.9	3.5	3.2	1.7	3.2	3.9	-0.4	6.9	2.5
Singapore	4.8	2.4	2.4	5.0	2.4	-0.2	0.7	-1.7	n.a.
Taiwan	3.1	3.7	3.8	1.2	3.7	6.2	8.9	3.9	1.1
ASEAN									
Indonesia	5.2	5.1	5.0	-2.5	-2.5	2.3	10.7	3.9	n.a.
Malaysia	6.2	6.5	5.6	3.5	8.5	2.9	4.8	3.0	n.a.
Philippine	5.6	6.4	n.a.	6.9	9.7	12.9	10.5	15.7	n.a.
Vietnam	5.1	5.4	6.2	12.2	15.7	11.9	11.3	13.0	4.7

Source: CEIC

4. The World Economic Outlook for 2015

The World Economy in 2015 is expected to grow by 3.5 percent, a gradual improvement from 3.2 percent in 2014 due to a robust growth of the US economy, which is expected to record the highest growth rate in 10 years. However, the Eurozone and the Japanese economies recovered slowly amidst rising deflationary pressures. At the same time, the Chinese economy is likely to slow down compared to 2014, whereas NIEs and ASEAN economies tend to perform better than 2014 due to a sharp drop in inflation.

Higher economic growth divergence across major economies has led to different monetary policy directions between the US and other major countries. While the US Fed tends to raise its policy rate, ECB and BOJ have lunched additional expansionary monetary policy in order to boost the economy and to reduce deflationary pressure. Additionally, many developing countries tend to ease their monetary policy in order to boost economic activity and to lessen deflationary pressure as well as exchange rate appreciation. Under such conditions, it is expected that the US dollars continue to appreciate against major currencies.

As a result of the US dollar appreciation, an increase in oil production in North America and a weak economic activity in major oil consumers, it is expected that oil and primary commodity prices will remain under downward pressures. Together with the US monetary policy adjustment, it is likely for many countries with weak economic fundamental and high income commodity dependent to experience with greater stability risk.

- **U.S. economy:** In 2015, it is projected to expand by 3.3 percent, accelerating from 2.4 percent in 2014. The growth rate of 2015 is revised up from an expansion of 2.6 percent in the previous projection. The revision is due mainly to more solid growth of domestic demand particularly household consumption following the improvement in labor market conditions, rising housing and asset prices, a sharp drop in oil prices, and reduced household debts. In addition, the fiscal drag continues to reduce and private investment tends to expand following a gradual improvement in real estate sector. However, export sector will show some slowdowns due to the US dollar appreciation and a slow economic recovery of major trading partners. As a result of a clearer signs of economic expansion and employment, it is expected that Fed will cautiously raise the policy rate around mid-2014.
- **Eurozone economy:** In 2015, it is forecasted to grow by 1.0 percent, slightly up from 0.9 percent in 2014. However, it is downwardly revised from 1.2 in the previous projection. There are several downside risks associated with the Eurozone economy including: (i) mounting deflationary pressure, (ii) high unemployment rate, (iii) the limited effects of fiscal stimulus from high public debts, (iv) tight credit condition despite lower interest rate (v) ongoing negotiation between Greece and Eurozone which remained downside risk for restoring confidence and European Union stability. Under fragile economic recovery and rising deflationary pressure, ECB recently launched full package of expanded asset purchase programme, encompassing the combined monthly purchases of 60 billion euro until the end of September 2016 or about 1.1 trillion Euro on 22nd January 2015. In addition, it is likely that ECB will carry out additional expansionary measures if deflationary pressures continue.
- **Japanese economy:** In 2015 it is expected to grow by 0.8 percent, a marginal improvement from 0.4 percent in 2014. The growth will be driven by stronger export and tourism sectors following the yen depreciation as well as by the effect of monetary base expansion measure and a 3.5 trillion yen fiscal stimulus package. However, the Japanese economy tends to grow by less than 1.2 percent as projected in the earlier projection. The downward revision is a result of weaker-than-expected domestic demand in line with a slowdown in labor income and worsened consumer confidence despite the fact that the consumption tax hike was postponed from October 2015 to April 2017.

The world economy in 2015 is expected to grow by 3.5 percent, a gradual improvement from 3.2 percent in 2014 due to a robust growth of the US economy.

The Eurozone and the Japanese economies recovered slowly amidst rising deflationary pressures. At the same time, the Chinese economy is likely to slow down compare to 2014.

- ❑ **Chinese economy:** In 2015, it is projected to grow by 7.0 percent, slowing from 7.4 percent in 2014 and lower than 7.2 percent in the previous projection. The revision is due to slower investment as a result of the economic reforms aiming at more balanced and less investment dependent growth, and also the impact of the tightened credit conditions. Meanwhile, export sector is likely to be affected by the appreciation of Yuan currency. As a result of the more-than-expected economic slowdown and reduced inflation rate, the PBC pursued additional monetary policy easing by reducing the required reserve ratio (RRR) from 20.0 percent down to 19.5 percent after cutting its policy rate for the first time in 2 years in November 2014. In addition, the government also launched fiscal stimulus package in order to boost the economy including public infrastructures development projects and tax measure relief to support SMEs.
- ❑ **NIEs economies:** Overall economic outlook tends to expand further. In 2015, South Korea, Taiwan, Hong Kong and Singapore economies are expected to increase by 4.2, 4.0, 3.5 and 4.0 respectively, up from 3.3, 3.5, 2.5 and 2.8 respectively in 2014. The growth will be fueled by domestic demand, especially private consumption thanks to lower oil prices, additional economic stimulus measure by the Hong Kong and South Korea governments, and the improvement in export sector. However, continual decline in inflations as a result of a big drop in oil prices, as well as exchange rate appreciation tend to induce many countries to implement further expansionary monetary policy. For example, the Singapore's central bank recently decided to reduce the slope of the Singapore dollar's trading band. Also, there are high possibilities that the central banks of South Korea and Taiwan will cut their policy interest rates in the first half of 2015.
- ❑ **ASEAN economies:** In 2015, is likely to perform better than 2014. The Indonesian economy is expected to grow by 6.2 percent, up from 5.0 percent in 2014. The Philippines economy is expected to grow by 6.4 percent, higher than 6.1 percent in 2014, supported by household consumption which benefited from increasing overseas Filipinos' remittances. The government expenditure will also grow considerably from the low base in 2014. The Vietnam economy is expected to expand by 6.2 percent, up from 6.0 percent in 2014. The growth will be fueled by exports in line with the Dong devaluation in the beginning of 2015. In addition, lower inflationary pressures will also allow the central bank to launch further expansionary monetary measures in order to stimulate the economy. Nevertheless, the Malaysian economy is expected to expand by 5.6 percent, slowing down from 6.0 percent in 2014. This is due to a slowdown in private consumption following rising inflation rate in the first half 2015 after the government's fuel subsidy removal, and higher household debts. However, public investment will continue to expand well.

5. The Thai Economic Outlook for 2015

- The Thai economy in 2015 is likely to gain momentum and continue to improve from the last quarter of 2014. The growth will be fueled mainly by the gradual recovery of the export sector, the recovery of private investment and tourism sector from the last quarter of last year and will become more apparent later in 2015. Other key supporting factors for growth in 2015 include the decline in global crude oil price, expediting of government budget disbursement and public investment projects, as well as the expansion of automotive production and sales. Nevertheless, there are a number of limitations and risks including softened agricultural prices, relatively high volatility in the world economy and the global financial market, and the depreciation of key currencies. Meanwhile, the real interest rate is also on a rising trend.

Economic stability tends to remain sound, both in terms of the growing current account balance due to export recovery and decline in global crude oil price, and low unemployment. However, inflation rate is expected to decline sharply in the first half of 2015, while the price conditions in the second half of the year will have to be closely monitored.

□ Supporting factors for economic growth

- 1) **Export is expected to recover in line with the global recovery.** In 2014, global economy showed a slow growth of 3.2 percent, causing Thai export value to contract by 0.3 percent. However, the export value in last quarter of 2014 began to recover gradually. The seasonal adjusted export volume increased by 7.1 percent compared to the previous quarter, improving from a 1.8 and 2.7 percent contractions in the second and the third quarter of 2014 respectively. Compared with the same period in previous year, export volume index grew by 2.7 percent, representing the highest growth rate in 7 quarters. In 2015, the export value is likely to improve gradually from 2014 which will contribute to economic growth. The growth will also be supported by the recovery of global economy and world trade

Price of Agricultural Products and Export Performance in 2014

Export Value (%YOY)	2557					
	Share %	Year	Q1	Q2	Q3	Q4
Agriculture products	8.1	-1.3	-2.0	2.7	4.4	-8.5
Manufacturing products	88.7	0.1	-3.1	-0.4	0.9	3.1
Unwrought gold	0.9	-15.6	469.3	14.3	-85.4	-12.6
Fishery products	1.1	1.4	-9.4	2.3	4.7	7.8
Total export value	100.0	-0.3	-1.1	0.3	-1.7	1.5

Source: Bank of Thailand

In Q4/2014, the export value of manufacturing products, accounting for 88.7 percent of the total export value, grew by 3.1 percent, improving from a 3.1 and 0.4 percent contraction in Q1 and Q2/2014 and a 0.9 percent growth in Q3/2014 respectively. However, the export value of agricultural goods and unwrought gold, which accounts for 8.1 and 0.9 percent of the total export value respectively, contracted by 8.5 and 12.6 percent respectively. Such contraction causes an obstacle for export growth in Q4/2014 which grew marginally by 1.5 percent. Nonetheless, after seasonal adjustment, export volume index increased from previous quarter by 7.1 percent, the highest growth rate in 11 quarters. This reflects the improvement of the export sector despite the global economic slowdown.

Export in 2014	Value (million US dollars)			
	2014 Average price & 2014 Volume	2013 Average price & 2014 Volume	Effects on export value	
Total export value	227,574	234,136	-6,562	
Agricultural/Agro-manufacturing products	35,614	42,177	-6,562	
Rice	Value	5,439	7,333	-1,894
	Price: USD/Ton	496	668	-173
Rubber	Value	6,022	8,167	-2,146
	Price: USD/Ton	1,766	2,396	-629
Tapioca	มูลค่า	3,564	3,817	-253
	ราคา: ดอลลาร์/ตร.ตัน	330	353	-23
Sugar	มูลค่า	2,738	3,003	-265
	ราคา: ดอลลาร์/ตร.ตัน	435	477	-42

Source: Customs, Ministry of Commerce, calculated by NESDB.

The relatively low growth rate of export value in Q4/2014 and the 0.3 percent decline of the export value in 2014 were mainly caused by the decline in the price of agricultural products and related goods, especially the price of rice and rubber. From a calculation using the changes in export price and the export volume in 2013, it is discovered that the price of rice, rubber, tapioca products, and sugar caused the total export value to decline by around 6,562 million US dollars, accounting 2.9 percent of the export value in 2013. If the prices of agricultural products in 2015 have more stability, the export value in 2015 can be expected to improve.

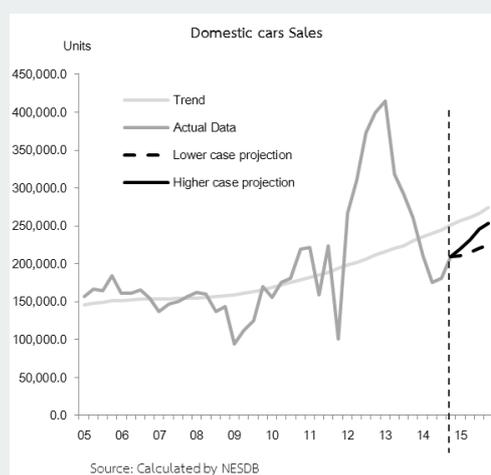
volume which are expected to grow at a more accelerated rate. Moreover, the price of agricultural exports, especially rice and rubber, are expected to be more stable after sharp falls of 25.8 and 26.3 percent respectively in 2014.

- 2) **Recovery of the tourism sector:** in 2014, the political situation in Thailand caused a decline in the number of tourist by 1.77 million people compared with 2013. However, in the last quarter of 2014, tourism sector began to show clear signs of recovery. The seasonally adjusted number of inbound tourists in Q4/2014 increased from the previous quarter by 13.0 percent. The number of tourists also grew by 7.0 percent compared with the same period in the previous year, which was the first time of expansion in 4 quarters. In 2015, the situation of the tourism sector is expected to continue to improve and to contribute more to the growth of the Thai economy. The supporting factors include (i) a better understanding and confidence of tourists about the situation in Thailand, (ii) lower traveling cost during a sharp decline in oil price and high competitive among low-cost airlines, (iii) measures to tackle tourist scamming and organization of key tourist attractions, and (iv) tourism promotion measures in 2015.
- 3) **Improvement trend of private investment:** after the political situation has returned to normal, private investment show the first expansion of 3.9 percent in the third quarter and accelerated to grow by 4.1 percent in this quarter. The supporting factors include improved confidence of the business sector and the expediting of BOI approval for investment in the latter half of 2014. Even though capacity utilization remains low and poses constraints for investment by existing businesses, private investment is likely to expand at an accelerated rate supported by a number of factors including (i) expediting investment in the second half of 2014, part of which is expected to start their operations in 2015, (ii) the value of net application for investment incentive with BOI in December 2014 was 1.43 trillion baht, the highest level ever recorded. These application will be approved and investment will be encouraged to be implemented in 2015, (iii) public investment projects, such as rail development, public transport, dual-track rail roads and Special Economic Zone development will make more progress, and (iv) expansion of new investment to enhance additional capacity to prepare for the AEC in 2016.
- 4) **The decline of global crude oil price** will help increase purchasing power of the people. The crude oil price declined from 108.0 US dollars per barrel in June 2014 to 60.0 US dollars per barrel in December, causing the retail oil price to decline by 20.0 percent on average. In 2015, it is expected that the global crude oil price will remain in the range of 50 – 60 US dollars per barrel, representing a 43.0 percent contraction from the average level of 96.5 US dollars per barrel in 2014. Such a sharp decline in oil price will help increase purchasing power of the people in the economy by 200 billion baht, accounting for 1.7 percent of the GDP. It will also help reduce inflationary pressure and facilitate an expansionary monetary policy which will help boosting economic recovery.
- 5) **Expediting government budget disbursement:** in the first quarter of FY2015, the total disbursement rate stood at a decent level of 29.8 percent. However, the disbursement of government and SOE's investment budget was lower than the intended target. The government, therefore, expedited the disbursement in order to meet the annual target by (i) allowing the agencies or enterprises, which are unable to implement or borrow by 31st March 2015 and deemed that the projects are not viable, unnecessary, or duplicative, to transfer the allocated budget for other purposes which are considered necessary for the country's development, (ii) using the disbursement in FY2015 as a key criteria for planning and allocating FY2016 budget. Meanwhile, the government expedited the implementation of key investment projects, such as transport infrastructure project, Special Economic Zone

development, and the connection the Special Economic Zone with neighboring countries, which are expected to help speeding up the government budget disbursement.

- 6) **The adjustment of automotive sales and production to its normal trend:** the adjustment of automotive market after the end of the first-car-buyers scheme led to a sharp decline in sales and production of automotive in 2014 by 39.6 and 23.5 percent respectively. This poses a constraint to economic growth. However, such adjustment of the automotive market came to an end in 2014, with the sales of automotive in 2014 at 776 thousand vehicles, which was a level close to the normal levels of 747 and 720 thousand vehicles in 2010 and 2011 respectively. Meanwhile, automotive production contracted at a slower pace, from 28.3 percent decline in the first quarter to a 4.1 percent contraction in December. The end of adjustment period will allow the sales and production of automotive to start to expand and contribute to economic growth for the first time in 3 years. It is expected that the volume of car production will increase by 7.8 – 18.6 percent and the sales by 9.5 - 22.4 percent respectively. The additional supporting factors include overall economic recovery and the expansion of production capacity to prepare for the AEC by 31st December 2015.

Automotive production and domestic Sales



The adjustment of automotive market after the end of the first-car-buyers scheme led to a sharp decline in sales and production of automotive in 2014 by 39.6 and 23.5 percent respectively. This poses a constraint to economic growth. However, data revealed that the domestic sale already reached the lowest level in the second quarter and thus slowed the contraction of production and domestic sales. In 2014, the sales of automotive were 776 thousand vehicles, which is a level close to the normal levels of 747 and 720 thousand vehicles in 2010 and 2011 right before the scheme was launched. Meanwhile, automotive production contracted at a slower pace, from 28.3 percent decline in the first quarter to a 4.1 percent contraction in December. The end of adjustment period will allow the sales and production of automotive to start to expand again and contribute to economic growth for the first time

in 3 years. It is expected that the production and domestic sale volumes in 2015 will be not less than 2.0 million and 780 thousand vehicles, respectively.

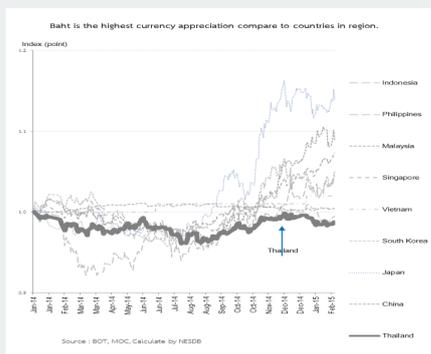
(100 thousands)	2010	2011	2012	2013	2014					i.i.
	Year	Year	Year	Year	Year	Q1	Q2	Q3	Q4	
Production	16.29	14.54	24.38	24.26	18.55	5.12	4.31	4.50	4.61	1.51
(%YOY)	54.74	-10.69	67.65	-0.49	-23.54	-28.27	-29.54	-22.35	-11.34	-4.11
Total Sales	7.47	7.20	13.75	12.85	7.76	2.11	1.75	1.81	2.09	0.74
(%YOY)	45.17	-3.62	90.97	-6.51	-39.63	-49.20	-44.97	-37.92	-19.83	-18.72
Car Sales	3.54	3.56	6.83	6.48	3.53	0.98	0.81	0.80	0.94	0.34
(%YOY)	44.44	0.56	91.81	-5.07	-45.51	-54.65	-49.71	-47.39	-20.81	-13.45
Export Volume	8.73	7.80	10.20	11.11	11.18	3.07	2.67	2.79	2.65	0.83
(%YOY)	50.34	-10.68	30.81	8.89	0.68	7.27	1.53	-5.68	-0.19	3.16

Source: The Office of Industrial Economics

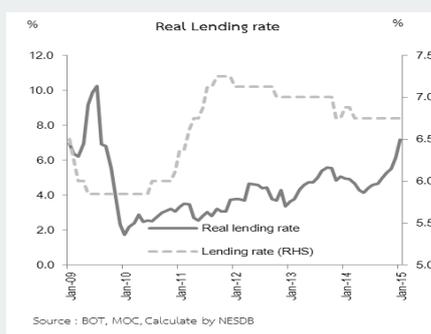
❑ Risk Factors and Limitations for the economic growth

- 1) **The adjustment of agricultural production towards a continual fall in main agricultural commodity prices** has still become key limitations for household demand and agricultural production. In 2014, an agricultural price index decreased by 6.2 percent, while the production contracted by 3.5 percent in the fourth quarter of 2014. In 2015, although the trend seems to remain stable, it is expected that an average price of agricultural commodities will continue to remain low, which will impede a recovery of household consumptions. Also, it will deliver a negative pressure for agricultural production to decline, especially when production costs fall slower than prices.
- 2) **The global economic and financial system remain highly volatile**, which is due to (i) the investors' expectations on change in monetary policies of major economies, (ii) the negotiation consequence between Greece and the Euro zone, (iii) the conflicts in Ukraine and Middle East countries, (iv) the sign of financial stress and slowdown of the Chinese economy, as well as the risks of the Japanese and European economic growths to grow at lower rate than expectations, and (v) the risks from countries, who have weak economic fundamentals and are sensitive to falling prices of primary commodities and to a shift in the US's monetary policies. These risks may hinder the dynamism of global economic recovery which remained fragile and uneven and will thus bring about lower-than-expected export growth.
- 3) **The depreciation trend of major currencies.** Although the expectation in shifting the U.S. monetary policy has caused Thai Baht to depreciate against US Dollar, the pressure from the ongoing quantitative easing measure of Japan and Euro zone still push Thai Baht to appreciate against Yen and Euro. Additionally, the currency intervention and aggressive expansionary monetary policies in many countries in the region tend to weaken the currencies of trading partners and competitors compared to Thai Baht against the US dollar. These conditions also tend to further dampen the price competitiveness of Thai exports.
- 4) **An increase in real interest rates raises the real financial cost in the economic system.** Although the nominal interest rates remain level, the inflation rates decline due to a falling oil price, and this, in turn, push the real interest rates in the economy to increase.

Shift in monetary policy of major countries in association with Thai baht and real interest rate



The termination of Fed's quantitative easing measures and the possible rate hike during mid of 2015 has caused Thai baht to depreciate against the US dollar and increased the price competitiveness of Thai export. Nevertheless, the Thai baht and price competitiveness of Thai export in 2015 remains under downward pressure from (i) the appreciation of Thai baht against Euro and Yen following an announcement of quantitative easing measure by ECB on the 22nd of January with the amount of 1.1 trillion euro and the continuation of Japan quantitative easing measure in the amount of 80 trillion yen per year. (ii) The depreciation of RMB against the US dollar given the fact that PBC loosening its monetary policy by lowers its policy rate for the first time in two years in November 2014 couple with the massive capital outflow from China carry trade after the 2008 global crisis, (iii) the easing of monetary policy and shift in exchange rate movement band of regional countries, including for example India, Singapore, and Vietnam, under the environment of lowering inflationary pressure in order to tackle currency appreciation pressure.



Domestic nominal interest rate in 2014 remain stable in accordance with policy interest rate but sharp reduction in global crude oil price has caused inflation rate to significantly drop and subsequently hike up the real interest rate from 4.3 percent in April 2014 to 7.2 percent in January 2015.

□ Key assumption for 2015 economic projection

- 1) **The world economy and trade volume are projected to grow by 3.5 and 4.4 percent respectively, down from 3.6 and 4.8 percent in the previous estimation.** The downward revision is mainly driven by the slower-than-expected recovery of the Eurozone, Japan, and China economies.
- 2) **The average Dubai crude oil price in 2015 is projected to be in the range of 50-60 US dollars per barrel, significantly declining from the average of 96.5 dollars per barrel in 2014 and 80-90 dollars per barrel in the previous projection.** The sharp decline in crude oil price, especially during the first half year, is mainly due to (i) the higher crude oil production contributed by the increase in production capacity of the US and other non-OPEC countries, as well as remaining high OPEC production. (ii) the increase in oil inventory especially in US (iii) the slow expansion in crude oil demand due to the sluggish recovery of major economies especially the Eurozone and Japan, while China economy slowed down. (iv) the appreciation in US dollar, and (v) the price war strategy by Saudi Arabia to maintain and secure its market share. Nevertheless, crude oil price is expected to start stabilizing within the first half year and move upward in the last quarter of 2015 following a reduction in oil production especially some producers who experience with cost overrun.
- 3) **Export price in US dollar term is likely to be in the range of (-0.5) - 0.5 percent, unchanged from the previous estimation.** This is supported by the stable trend in industrial export price while agricultural price started to be more stabilized after a significant decline in the previous year, especially paddy price that started to stabilize and rubber price that is expected to contract at a slower pace. **Import price in US dollar term** is projected to be in the range of (-3.5) - (-2.5) percent, down from (-1.0) - 0.0 percent in the previous projection. This is due to the downward revision in crude oil price which in turn will reduce import price of raw materials to be lower than earlier expected.
- 4) **Thai baht currency is forecasted to be in the range of 32.5-33.5 baht per US dollar, unchanged from the previous forecast** but slightly depreciated from the average of 2014 that stood at 32.47 baht per US dollar. The estimation is based upon (i) Fed will hike up their interest rate during mid of 2015, (ii) ECB and BOJ will not pursue any additional quantitative easing measures, and (iii) the negotiation between Greece and Eurozone will not depreciate the Euro substantially.
- 5) **Number of inbound tourist in 2015 is projected to be 27.0 million people, unchanged from the last projection** but increased from 24.8 million people in 2014. Key driving forces are (i) overall serenity and stable political situation, (ii) large expansion of Chinese tourists which accounts for 18 percent of overall inbound tourist, and (iii) government stimulus package for the tourism sector.
- 6) **The disbursement of FY 2015 budget is expected to be the same as the previous assumption at 92.2 percent of total budget.** The annual current and capital budget disbursement are expected to be at 96.3 and 73.0 percent respectively, compared with 93.7 and 65.8 percent in the FY 2014, respectively.

World Economic Projection

	Actual Data		Projection of 2015	
	2013	2014	Nov. 17, 2014	Feb. 16, 2015
World Economic Growth (%)	3.0	3.2	3.6	3.5
USA	1.9	2.4	2.6	3.3
EU	-0.5	0.9	1.2	1.0
Japan	1.5	0.4	1.2	0.8
China	7.7	7.4	7.2	7.0
World Trade Volume (%)	3.0	3.8	4.8	4.4
Exchange Rate (Baht/US dollar)	30.7	32.5	32.5 - 33.5	32.5 - 33.5
Dubai Crude Oil (US Dollar/Barrel)	105.0	96.5	80.0 - 90.0	50.0 - 60.0
Export Price (US Dollar) (%)	-0.5	-1.0	(-0.5) - 0.5	(-0.5) - 0.5
Import Price (US Dollar) (%)	-2.1	-1.8	(-1.0) - 0.0	(-3.5) - (-2.5)
Tourist (Million Person)	26.7	24.8	27.0	27.0

Source: NESDB

□ Economic Projection for 2015:

The Thai economy in 2015 is projected to expand in the range of 3.5-4.5 percent, accelerating from 0.7 percent in 2014. The headline inflation is expected to lie between 0.0-1.0 percent and the current account will register a surplus of 4.9 percent of GDP.

The projection of Thai economy of 3.5-4.5 percent in the announcement on 16th of February 2015 remains unchanged from the previous projection announced on 17th of November 2014. Nevertheless, there are some adjustments on key growth components from the previous projection following some revisions in key economic assumptions especially the world economic growth, crude oil price, and import price.

□ Key Components of Economic Projection for 2015

- 1) **Total consumption** is projected to grow by 3.4 percent, higher than 0.7 percent in 2014 and 3.1 percent in the previous projection. **Private consumption** is expected to expand by 2.9 percent, improved from 0.3 percent in 2014 and 2.6 percent in the last estimation. This improvement owes to the downward revision in crude oil price which subsequently lower inflation rate and in turn boost up real household income. **Public expenditure** is projected to grow by 5.6 percent, up from 2.8 percent in 2014 following the government's efforts to expedite budget disbursement.
- 2) **Total investment** is expected to expand by 6.0 percent, accelerating from a contraction of 2.8 percent in 2014 and revised upwardly from 5.8 percent in the previous estimation. **Private investment** is projected to grow by 5.0 percent, picking up from 4.8 percent in the last projection. This is mainly due to the faster-than-expected recovery of private investment during the latter half of 2014. Key supporting factors include improving business and investors' confidences, accelerating in BOI's investment approval process, resolving the delay in government implementation process, as well as an all-time high of BOI's net applications. **Public investment** is expected to grow by 9.8 percent, compared with 6.1 percent in 2014, due primarily to the speed up of capital budget disbursement and the implementation of key infrastructure projects.
- 3) **Export value of goods in US dollar term** is likely to grow by 3.5 percent, improving from a contraction of 0.3 percent in 2014 but lower than 4.0 percent in the previous estimation. The revision was mainly due to downward revision of the world economy and trade volume which would subsequently undermine export value to major trading partners. However, export value of services is expected to accelerate following higher number of inbound

tourist. In all, it is expected that export of goods and services will grow by 4.0 percent, lowered from 4.4 percent in the previous forecast but significantly improved from 0.0 percent growth in 2014.

- 4) **Import value of goods in US dollar term** is forecasted to expand by 1.8 percent, compared to a contraction of 8.5 percent in 2014 but dropped from 5.0 percent growth in the last projection. This is mainly driven by (i) the downward revision of import price from (-1.0) - 0.0 percent to (-3.5) - (-2.5) percent following a sharp decline in global crude oil price, and (ii) the downward revision of export volume which consequently lower the demand for import goods. Together with the improvement in import of services, import volume of goods and services is projected to grow by 4.9 percent, down from 5.4 percent in the previous projection.
- 5) **Trade balance** is likely to register a surplus of 28.8 billion US dollars, increasing from 24.6 billion US dollars in 2014 and 19.6 billion US dollars in the earlier projection. Rising trade surplus is due to the fact that import value is revised down much faster than those of export value. Meanwhile, the service account is likely to remain in the same range as prior projection. All in all, the current account is expected to register a surplus of 18.9 billion US dollars or equivalent to 4.9 percent of GDP, compared to 2.2 percent of GDP in the preceding forecast.
- 6) **Average headline inflation rate in 2015** expected to be in the range of 0.0-1.0 percent, the lowest rate in 6 years, down from 1.9 percent in 2014 and from 1.4 - 2.4 percent in the earlier projection. This is a result of a downward revision in the global crude oil price which subsequently lowers the domestic goods price in energy related commodities which accounted for 11.4 percent of the consumer price basket. Thus, headline inflation is expected to significantly drop especially in the first half of 2015.

6. Economic Management in 2015

The Thai economy in the fourth quarter of 2014 showed a clear sign of recovery. In addition, overall economic environment in 2015 tends to improve and becomes more accommodate for the economy, including recovered world economic condition, improved confidence of consumer, business sector and foreign investors, lower oil prices and stable political situations. Under such conditions, key macroeconomic management in 2015 should focus on utilizing benefits from improving economic environment in order to stimulate exports and tourism to expand continually and at full potential. In addition, it is also important to speed up private and public investment together with solving problems for those sectors affected by a decline in agricultural prices, a slowdown in trading partners' economies, and a currency adjustment. Key economic management issues are as follows:

- 1) **Providing additional measures for supporting low-income farmers and adjustment of agriculture production apart from a direct subsidy and credit provision measures that were already implemented.** Suggested measures include in particular: (i) Supporting a soft loan, debt-moratorium scheme and debt restructuring by putting the informal loan into the formal loan system (for the loan made before 2015), particularly for farmers affected from by the continual decline in global agricultural price, particularly rice farmers and rubber planters; (ii) Maintaining cost of raw material and agriculture factor of productions, particularly prices of fertilizer, chemical pesticides and herbicides, and agriculture machinery to move in line with the falling oil price as well as chemical raw material in the world market. Also, the cost needs to be in consistent with the currency depreciation of major import market of raw material and important agriculture machinery; (iii) Keeping

- land rental cost to be more flexible and move align with the agricultural product price during the adjustment process of the agricultural production; (iv) Preparing measures for preventing and alleviating drought impacts; (v) Expediting the establishment of insurance system for agricultural products, and (vi) Supporting the agricultural processing industries.
- 2) **Supporting SMEs businesses and labors in the business sector affected by the economic slowdown and currency depreciation of key export markets, particularly export-oriented industries to the EU, Japan and countries that largely depend on the crude oil production and export of primary goods** by (i) Supporting SMEs to utilize current SMEs assistance measures and supporting the relevant agencies to carry out more proactive implementation; (ii) Supporting small businesses to operate a currency hedge in order to prevent the risk from the adjustment and the fluctuation of currency; (iii) Monitoring a lay-off process and introduce a measure to slowdown a lay-off process especially for labors who have high risk to be laid off by establishing training programs for skill enhancement with a collaboration between public and private enterprises to cover overall expenses on training management cost and allowances.
 - 3) **Expediting exports to achieve a target of 4.0 percent growth** by emphasizing on (i) Pursuing 2015's export strategy and focusing on the market that exhibit an economic recovery, market with currency appreciation trend, and regional markets; (ii) Negotiating with other countries to reduce trade barriers both tariffs and non-tariffs under ASEAN framework agreement particularly CLMV countries which set the zero tariff rates by 2015; and (iii) Eliminating major trade barriers and publicizing to the exporter and trading partners on the current progress and how to utilize measures such as the progress on exporting frozen chicken to South Korea, progress on foreign workers in the fishery product industries, progress on how to lessen impacts from EU's GSP removal, and on how to seek for the new market for the shrimp export that start to recover from Early Mortality Syndrome.
 - 4) **Speeding up the approval process of on-hold investment projects and the new BOI applications during late 2014**, as well as monitoring and expediting approved projects to start their operations in 2015.
 - 5) **Implementing monetary and exchange rate policies to be in line with the economic conditions**, particularly, (i) the export growth that remains restrained by the slow recovery of global economy and the appreciation of Thai Baht against major trading partners and export competitors; (ii) The decline in inflation rate, particularly in the first half of 2015 which in turn can affect the inflation expectation and private decision making, especially under such conditions that the global oil price and primary commodity price might experience a lower level than expectation, and (iii) Real interest rates continue to hike.
 - 6) **Accelerating the government budget expenditure, particularly capital budget disbursement in FY2015 and state-owned enterprises' capital budget disbursement**, where the disbursement rate in the first quarter of FY2015 was below the target. It is also important to accelerate key investment projects such as infrastructure project on transportation sector, Special Economic Zone and Dawei development project that increasingly have more progress in order to strengthen investor confidence as well as to encourage private investment's decision.

Economic Projection for 2015

	Actual Data		Projection	
	2013	2014	Nov. 17, 2014	Feb. 16, 2015
GDP (at current prices: Bil. Bht)	11,899	12,141	12,979	12,627
GDP per capita (Bht per year)	174,337	176,958	188,157	183,049
GDP (at current prices: Bil. USD)	387.2	373.6	393.0	382.6
GDP per capita (USD per year)	5,673	5,445	5,702	5,547
GDP Growth (at constant prices, %)	2.9	0.7	3.5 - 4.5	3.5 - 4.5
Investment (at constant prices, %)	-2.0	-2.8	5.8	6.0
Private (at constant prices, %)	-2.8	-1.9	4.8	5.0
Public (at constant prices, %)	1.3	-6.1	9.8	9.8
Consumption (at constant prices, %)	1.1	0.7	3.1	3.4
Private (at constant prices, %)	0.3	0.3	2.6	2.9
Public (at constant prices, %)	4.9	2.8	5.6	5.6
Export volume of goods & services (%)	4.2	0.0	4.4	4.0
Export value of goods (Bil. USD)	225.4	224.8	234.4	232.7
Growth rate (%) ^{1/}	-0.2	-0.3	4.0	3.5
Growth rate (Volume, %) ^{1/}	0.2	0.7	4.0	3.5
Import volume of goods & services (%)	2.3	-4.8	5.4	4.9
Import value of goods (Bil. USD)	218.7	200.2	214.8	203.9
Growth rate (%) ^{1/}	-0.5	-8.5	5.0	1.8
Growth rate (Volume, %) ^{1/}	1.6	-6.8	5.5	4.8
Trade balance (Bil. USD)	6.7	24.6	19.6	28.8
Current account balance (Bil. USD)	-2.5	14.2	8.8	18.9
Current account to GDP (%)	-0.6	3.8	2.2	4.9
Inflation (%)				
CPI	2.2	1.9	1.4 - 2.4	0.0 - 1.0
GDP Deflator	1.7	1.3	1.4 - 2.4	0.0 - 1.0

Source: Office of the National Economic and Social Development Board, 16th February 2015

Note: ^{1/}Export and import base on the Bank of Thailand's data.