



Thai Economic Performance in Q3 and Outlook for 2014 - 2015

Macroeconomic Strategy and Planning Office

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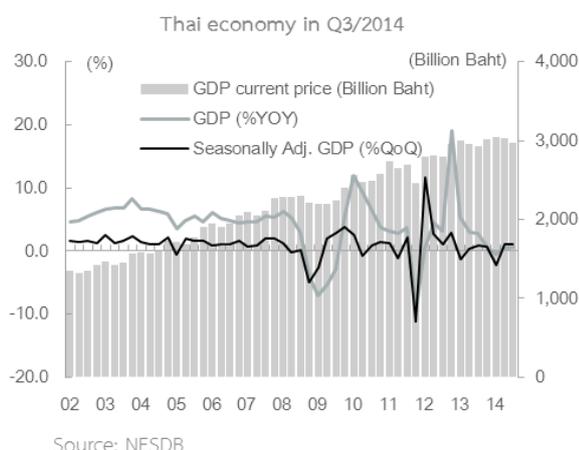
Economic Projection for 2014 - 2015

(% YOY)	2013	2014		Projection	
	ทั้งปี	H1	Q3	2014	2015
GDP (at 1988 price)	2.9	0.0	0.6	1.0	3.5-4.5
Total Investment (at 1988 price)	-2.0	-8.1	2.9	-1.9	5.8
Private	-2.8	-7.2	3.9	-1.0	4.8
Public	1.3	-11.3	-0.8	-5.0	9.8
Total Consumption (at 1988 price)	1.1	-0.7	1.9	1.2	3.1
Private	0.3	-1.3	2.2	0.7	2.6
Public	4.9	3.1	0.4	3.6	5.6
Export of Goods (US\$)	-0.2	-0.1	-1.7	0.0	4.0
Volume	0.2	1.2	-1.4	0.9	4.0
Import of Goods (US\$)	-0.5	-13.3	-0.8	-6.5	5.0
Volume	1.6	-12.7	-0.4	-5.8	5.5
Current Account to GDP (%)	-0.6	4.7	-1.6	2.9	2.2
Inflation	2.2	2.2	2.0	2.1	1.4-2.4
Unemployment rate	0.7	0.9	0.8	0.9	0.8-1.0

- **The Thai economy in the third quarter of 2014** grew by 0.6 percent compared with 0.4 percent in the previous quarter. After seasonal adjustment, the Thai economy expanded from the second quarter by 1.1 percent (%QoQ SA). In the first nine months of 2014, the Thai economy grew by 0.2 percent.
- **On the expenditure side**, main contributions were from government expenditure, private consumption expenditure, and private investment, while exports declined. **On the production side**, the real estate sector began to expand, agricultural sector slowed down, while the manufacturing and construction sectors continued to contract but at a slower pace.
- **The Thai economy in 2014** is expected to grow by 1.0 percent with 0.7 percent growth of private consumption and a contraction of 1.9 percent of investment. The headline inflation is likely to remain subdued at 2.1 percent while the current account tends to record a surplus of 2.9 percent of GDP.
- **The Thai economy in 2015** is forecasted to grow by 3.5-4.5 percent, contributed significantly by (i) an improvement in export sector in line with further recovery of the global economy, (ii) a recovery of tourism sector and investment following stronger global economy as well as favorable domestic conditions and supportive policies, (iii) an expansion in private investment especially the BOI's investment projects which were approved in 2014, (iv) an expansion of public expenditure and investment, (v) an improvement in car sales and production, and (vi) a further decline in crude oil prices that help contain inflationary pressure and raise purchasing power. It is expected that export value will expand by 4.0 percent while private consumption and total investment will grow by 2.6 and 5.8 percent, respectively. The headline inflation is expected to lie between 1.4-2.4 percent and the current account is likely to register a surplus of 2.2 percent of GDP.
- **Economic management for the rest of 2014 and in 2015** should focus on (i) Supporting measures for low-income farmers. (ii) Providing supporting measures for low-income workers, workers with lower working hours, laid-off workers such as skill and capability enhancement training programs for them to have supplement and alternative occupations. (iii) Eliminating trade barriers and promoting exports to expand at its full potential. (iv) Monitoring and accelerating government measures already launched to support tourism sector while preparing additional measures. (v) Speeding up the approval of key investment projects and the already approved projects to start their operations promptly. (vi) Expediting the restructuring of energy prices in order to increase household purchasing power as a result of the price drop, lower production cost and thus help stimulate the economy. (vii) Implementing accommodative monetary and exchange rate policies to facilitate further economic recovery. (viii) Accelerating, monitoring progress and evaluating public flagship projects/programs contained in the annual action plan to ensure effective public spending as planned.

The Thai economy in the third quarter and the outlook for 2014 – 2015

The Thai economy in the third quarter of 2014 expanded by 0.6 percent, improving from 0.4 percent growth in the second quarter. The improvement was contributed by the recovery of private consumption and investment expenditure. However, the slowdown of agricultural sector, the contraction of exports and a slow recovery of the tourism sector rendered the economic recovery to be lower than earlier anticipated. **The expenditure side** was supported by the expansion of government expenditure, private consumption expenditure, and private investment, while exports contracted. On **the production side**, the real estate sector started to expand, agricultural sector continued to expand but at a lower rate, while the manufacturing and construction sectors continued to contract but at a decelerating rate. After seasonal adjustment, the Thai economy in the third quarter of 2014 expanded by 1.1 percent from the second quarter (%QoQ SA). In the first nine months of 2014, the Thai economy contracted by 0.2 percent.



Thai economy in the second quarter of 2014

(1) **Private consumption expenditure** expanded by 2.2 percent, up from a 0.2 percent growth in the previous quarter. This increase was in line with the improvement in Consumer Confidence Index, which led people to spend more, especially on non-durable goods. Nonetheless, the contraction in the passenger car sales led to a continuous decline in expenditure on durable goods.

In the first nine months of 2014, private consumption expenditure contracted by 0.2 percent.

(2) **Total investment** grew by 2.9 percent, compared with a contraction of 6.9 percent in the previous quarter. Private investment expanded by 3.9 percent, improving from a contraction of 7.0 percent in the second quarter. The expansion was seen in machinery and equipment investment. In terms of confidence, the Business Sentiment Index (BSI) stood at 49.2, which was close to 50, the level at which business tends to start increasing investment. Public investment contracted by 0.8 percent compared with a 6.7 percent contraction in the previous quarter owing to an improvement in investment by state-owned enterprises both in machinery and equipment, and construction.

In the first nine months of 2014, total investment contracted by 4.5 percent, with a 7.8 percent contraction in public investment and a 3.6 percent contraction in private investment.

(3) **Export value** was recorded at 56,934 million US dollars – a 1.7 percent contraction. This was due to a slower growth of major trading partners such as the US and China, and weak economic conditions in Japan and EU zone. Moreover, export prices of agricultural products continued to fall and dampened export income. The export quantity decreased by 1.4 percent, while export price contracted by 0.3 percent. Exports which declined in value in this quarter include unwrought gold, automotive, petroleum products, rubber, and crustaceans (canned, prepared, or preserved). The goods of which export value increased included rice, cassava, petrochemical, machinery and equipment, and electronics. Exports to major markets such as the US and the EU decelerated in this quarter. Exports to ASEAN markets continue to grow, while exports to Japan, China, and Australia contracted. With unwrought gold excluded, export value increased by 1.0 percent.

In the first nine months of 2014, export value contracted by 0.7 percent. Export volume increased by 0.3 percent and export price decreased by 0.9 percent. In baht term, the value of export grew by 2.6 percent

- (4) **The agricultural sector** expanded by 1.7 percent, slowing down from 4.2 percent growth in the previous quarter. This was due to the declines in rice and rubber production. However, the production of fruits, livestock, and cassava grew due to favorable weather, high demand, and improved productivity. Agricultural prices continued to decline, causing farm income to contract by 5.3 percent.

In the first nine months of 2014, agricultural sector expanded by 2.4 percent but average agricultural prices measured by Agricultural Price Index decreased by 5.0 percent. Consequently, farm income declined by 2.6 percent.

- (5) **Construction sector** contracted by 2.7 percent, compared with 3.2 percent contraction in the previous quarter. Both private and public sector constructions contracted.

In the first nine months of 2014, construction sector contracted by 5.8 percent, with 5.2 percent contraction in public sector and 5.5 percent contraction in private sector.

- (6) **Manufacturing sector** decreased by 0.7 percent, a slight improvement from a 2.7 and 1.6 percent contractions in the previous two quarters. Export industries continued to improve, especially electronic devices and hard disk drives. However, car production contracted. Production in petrochemical industry declined due to maintenance of refineries. The capacity utilization remained low, but improved from the previous quarter.

In the first nine months of 2014, the industrial sector contracted by 1.7 and the capacity utilization rate averaged at 60.6 percent.

- (7) **Hotels and restaurants sector** contracted by 4.6 percent, compared with a contraction of 4.7 percent in the second quarter. However, inbound tourist numbers continued to improve. It declined at a slower rate and began to grow for the first time in October. The average hotel occupancy rate was at 51.6 percent, compared with the rate of 47.3 in the second quarter of this year and 62.6 percent in the same period last year.

In the first nine months of 2014, hotels and restaurants sector contracted by 4.1 percent.

The Thai Economic outlook for 2014 – 2015

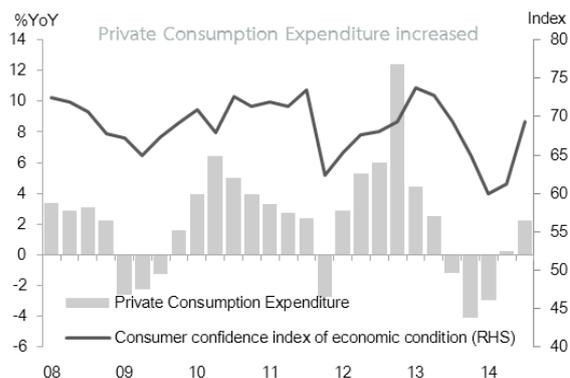
On the 17th of November 2014, NESDB projects that the Thai economy in 2014 is likely to expand by 1.0 percent, downwardly revised from 1.5 – 2.0 growth rate in the previous forecast released on the 18th August 2014 as a result of lower than expected growth of the Thai economy in the third quarter due the following factors: **(1) the global economy in the third quarter grew less than in the second quarter, especially the US and the Chinese economies, while Japanese and the EU economies remained weak.** Agricultural export prices also declined significantly, causing export value to contract following the expansion already seen in the second quarter; **(2) the sales of passenger cars continued to decline by 41.9 percent, worse than previously anticipated and causing the automobile production to be lower than predicted;** **(3) the budget disbursement in the fourth quarter of FY2014 was at 20.8 percent, lower than the 25.0 percent target.** The disbursement rate for the entire FY2014 stood at 89.0 percent, which is lower than the 95.0 percent target; and **(4) the recovery of tourism remained slow**, as reflected in the lower-than-expected tourist numbers in the third quarter. For other key economic components, it is likely that there will be no growth in export value in US dollars terms, a 0.7 percent expansion in private consumption, and a 1.9 percent contraction in total investment. Headline inflation is predicted to be at 2.1 percent, while current account will be in surplus of approximately 2.9 percent to GDP.

The Thai economy in 2015 is projected to grow by 3.5 – 4.5 percent. It is expected that the economy will be contributed by 4.0 percent growth in export value, a 2.6 percent expansion in private consumption expenditure, and a 5.8 percent expansion in investment. Headline inflation is likely to be in the range of 1.4 – 2.4 percent and, and current account surplus will remain in surplus of around 2.2 percent to GDP.

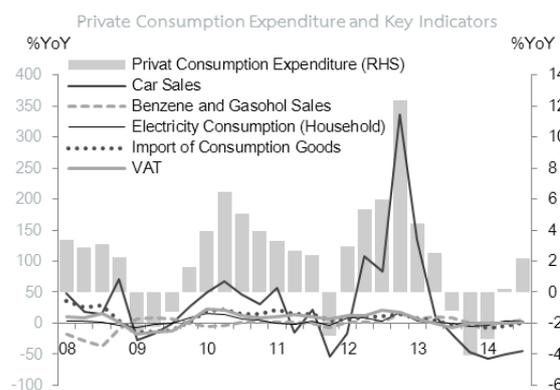
1. The Thai Economy in Q3/2014

□ Expenditure Side:

Private consumption expenditure continued to recover consistently with the improvement in Consumer Confidence Index. In the third quarter of 2014, private consumption expenditure expanded by 2.2 percent, compared with a 0.2 percent increase in the previous quarter. This was in line with the increase in VAT collection (constant price) and the electricity consumption growth of 2.3 and 3.9 percent respectively, compared with a growth rate of 0.1 and 3.1 percent respectively 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 44.7 percent, compared with 49.5 percent contraction in the previous quarter. There was an increase in other spending, especially on **non-durable goods**. The import value of consumer goods, and beer sales grew by 0.6 and 11.2 percent respectively, improving from a contraction of 5.0 and 0.9 percent in the previous quarter. This corresponded with an increase in Consumer Confidence Index pertaining the overall economic situation from 61.2 in the second quarter to 69.3 in the third quarter of 2014.



Source: NESDB, UTCC



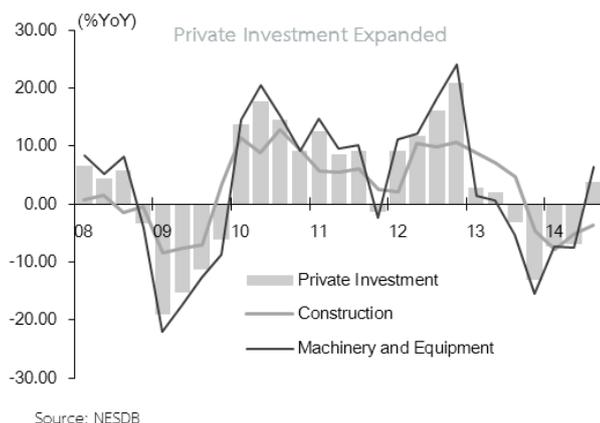
Source: NESDB, DOEE

Private investment grew for the first time in 4 quarters due to an expansion in machinery and equipment, while investment in construction continued to decline. In the third quarter of 2014, private investment grew by 3.9 percent, compared with a contraction of 7.0 percent in the previous quarter. The **machinery and equipment investment** expanded by 6.4 percent, compared to 7.5 percent contraction in the second quarter. This was in line with the 1.9 percent increase of import value of capital goods. **Investment in construction** declined by 3.6 percent, compared with a contraction of 5.2 percent in the previous quarter. Construction areas permitted and cement sales contracted by 11.0 and 2.9 percent respectively. Meanwhile, the value of net applications for investment promotion to the Board of Investment (BOI) recorded a total value of 254.6 billion baht, increased by 84.1 percent compared with a 69.4 percent contraction in the previous quarter. This was boosted by the appointment of new BOI board on the 6th of June 2014 and their approval process of application has resume its normalcy. Although the number of project applying for investment promotion declined by 5.9 percent, this still represented substantial improvement comparing with the 44.4 percent contraction in the second quarter. The Business Sentiment Index (BSI) improved from 47.0 in the second quarter to 49.2 in the third quarter despite its below 50 level. for the fifth consecutive quarters.

Expenditure in the third quarter of 2014 increased in both private consumption and private investment. However, export and import contracted.

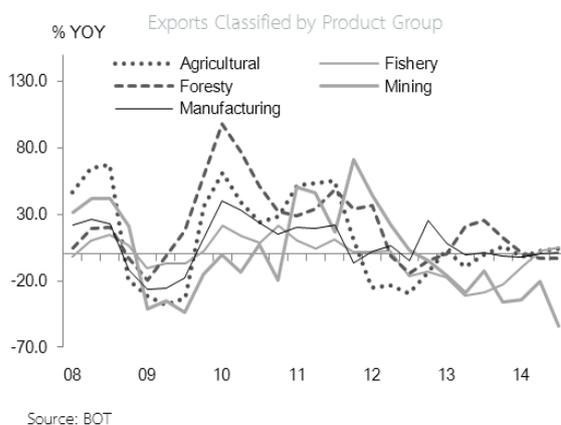
Private consumption expenditure grew by 2.2 percent, improving from 0.2 percent in the previous quarter due to an increase in spending on non-durable goods, which corresponded with an improvement in consumer confidence.

Private investment grew by 3.9 percent, compared with a contraction of 7.0 percent in the previous quarter due to the expansion in investment in machinery and equipment.



Exports contracted again after having registered a growth in the previous quarter due to the economic slowdown in key trading partners, including US, China, and Australia. Moreover, export prices continued to fall, especially those of agricultural products. Export value in the third quarter of 2014 was recorded at 56.9 billion US dollars – a 1.7 percent contraction, compared with a 0.6 percent growth in the previous quarter. The export quantity decreased by 1.4 percent, while export price contracted by 0.3 percent mainly due to the decline in agricultural prices. Export value (excluding unwrought gold) increased by 1.0 percent. In baht term, the value of export, recorded at 1,827.4 billion baht, expanded by 0.2 percent, compared with a growth of 9.1 percent in the previous quarter.

Export value in US dollars contracted by 1.7 percent due to the economic slowdown in key trading partners. However, in baht term, export, expanded by 0.2 percent.



Export of agricultural commodities: Export value of agricultural commodities continued to increase by 4.4 percent, compared with an expansion of 2.7 percent in the previous quarter. This was due to the increase in the export volume of key agricultural products (15.6 percent growth), especially rice, and cassava. However, the price of key exports, namely rice, rubber, sugar, and tapioca continued to decline, causing the price of agricultural products to decline by 9.7 percent. The export value of **rice** increased by 25.2 percent as there was an increase in export quantity of rice by 69.3 percent (owing to the expedited release of government’s stockpiles). Similarly, the export value of **tapioca** increased by 15.5 percent contributed from an increase in export quantity, especially that export to China who has a growing demand for tapioca for ethanol production. Meanwhile, the export value of **rubber** declined by 24.8 percent due to a drop in both quantity and price of 4.7 and 21.1 percent, respectively, as global stockpile remains high. Export value of **sugar** increased for the first time in eight quarters by 13.4 percent, due to an increase in export quantity. **Manufacturing products** grew slightly due to the slow recovery of global demand. The quantity and value of export increased by 0.3 and 0.9 percent respectively, representing an improvement from a contraction of 0.2 and 0.1 percent in the previous quarter

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

respectively. The goods recorded growth in export included petrochemical, electronics, and machinery and equipment which grew by 6.8, 2.4, and 7.8 percent respectively. Exports which declined in value in this quarter included automotive, crustaceans (canned, prepared, or preserved), and petroleum products (3.9, 11.8, and 7.2 percent contraction respectively). **Fishery products** grew by 4.7 percent. The exports with an increase in export value include fish, and cuttlefish, squid, octopus. Key exports which began to seen slower contraction include shrimp, crab, and lobster. **Other exports** contracted by 77.4 percent, mainly due to the decline in unwrought gold by 85.4 percent.

Export Value of major product

%YoY	2013					2014						Shared Q3/2014
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul	Aug	Sep	
Agriculture	0.0	3.2	-9.8	-0.2	5.9	-2.0	2.7	4.4	-0.8	11.6	2.7	7.7
Rice	-4.6	8.6	-14.0	5.5	-14.0	4.6	21.5	25.2	3.2	30.8	49.2	2.4
Rubber	-5.9	-8.7	-16.8	-11.1	13.8	-15.5	-24.0	-24.8	-23.4	-23.3	-27.6	2.3
Tapioca	18.1	34.9	-8.3	19.1	25.5	26.9	14.2	15.5	-9.1	49.0	12.8	1.2
Manufacturing	1.8	7.7	-0.4	1.3	-1.1	-2.7	-0.1	0.9	1.9	-3.8	4.8	89.5
Agro-manufacturing Products	-2.6	-1.7	-3.1	-4.5	-0.9	-7.8	-5.4	1.8	3.7	-3.9	5.8	11.9
Sugar	-27.2	-37.4	-22.6	-32.2	-1.2	-28.3	-29.8	13.3	3.9	17.3	21.7	1.2
Crustaceans canned, prepared, or preserved	-19.5	-13.6	-24.6	-21.2	-18.2	-25.2	-13.8	-11.8	-5.2	-22.0	-6.5	0.6
Apparels and textile materials	3.6	1.3	6.8	4.2	2.2	-1.3	0.9	-0.4	1.0	-6.1	4.3	3.3
Electronics	-0.8	2.3	-8.6	2.4	1.7	0.2	-0.2	2.4	-1.5	4.9	3.6	15.0
- Computer parts & accessories	-5.7	-1.2	-18.1	-1.8	0.9	-3.2	-6.0	0.0	-3.6	2.6	1.1	6.8
- Integrated circuits & parts	7.6	2.0	7.4	17.9	3.1	5.2	1.3	1.1	-5.5	9.1	-0.1	3.5
Electrical Appliances	2.3	13.4	-1.4	-0.8	-0.6	7.2	2.0	0.1	-0.1	-6.0	6.4	5.0
Automotive	7.6	16.8	12.2	7.2	-3.9	3.1	-1.6	-3.9	9.3	-8.2	-11.1	13.8
Metal & Steel	-5.5	55.9	6.6	-21.0	-37.2	-34.2	-3.5	-0.9	-4.5	-4.1	6.5	4.3
- Iron & steel	-14.8	140.6	6.7	-45.7	-62.7	-62.5	-15.7	-10.3	-23.1	-7.8	2.5	1.2
Petro-chemical Products	5.3	9.1	3.8	3.6	4.9	5.3	11.2	6.8	10.0	-4.1	15.9	5.8
Petroleum products	-1.3	-6.3	-19.4	9.6	11.8	-15.5	0.0	-7.2	-7.9	-16.1	4.7	5.7
Machinery & Equipment	4.0	4.2	-1.5	4.7	9.0	8.7	10.0	7.8	10.5	-0.3	13.6	8.5
Chemicals	7.6	15.9	10.0	4.6	0.2	-7.3	-7.3	-1.9	-9.1	-1.2	4.5	3.8
Fishery	-25.4	-18.2	-31.6	-28.2	-22.9	-9.4	2.3	4.7	13.6	-1.6	3.4	0.9
Crustaceans	-33.4	-19.0	-46.5	-35.1	-29.8	-27.1	-6.1	-1.3	14.2	-9.2	-5.0	0.5
Other Exports	-44.5	-79.1	-25.0	-42.3	-8.2	278.4	13.5	-77.4	-61.0	-88.4	-67.3	0.8
Non-monetary gold (excl. articles of goldsmiths)	-50.1	-86.8	-29.1	-46.8	-8.7	469.3	14.3	-85.4	-71.4	-92.7	-81.3	0.5

Source: BOT

Export markets: exports to major markets such as the US and EU (15) decelerated in this quarter, while exports to Japan, China, and Australia contracted. Exports to the US grew by 3.4 percent, decelerating from 4.9 percent in the previous quarter. Meanwhile, Exports to EU (15) grew by 2.0 percent, decelerating from 11.0 percent in the previous quarter, reflecting the deceleration of the European economy. Export to ASEAN (9) grew by 1.1 percent, accelerating from 0.2 percent in the previous quarter. Nevertheless, exports to Japan and China continued to contract by 1.0 and 6.3 percent respectively due to the economic slowdown in Japan and China. At the same time, export to Australia declined by 14.4 percent contributed primarily by a contraction in exports of automotive and parts. Similarly, export to Hong Kong contracted by 13.5 percent.

*Export to ASEAN (9) slightly accelerated.
Export to US and EU (15) decelerated while export to Japan, China, and Australia continued to contract.*

Export Value of major country

(%YOY)	2013					2014						Shared Q3/2014
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul	Aug	Sep	
United States	0.8	0.8	-3.5	0.7	5.2	0.6	4.9	3.4	4.5	-0.3	6.2	10.6
Japan	-5.2	1.5	-6.3	-10.1	-5.5	2.0	-4.9	-1.0	3.3	-7.6	1.4	9.4
EU (15)	2.7	7.0	-5.3	3.3	6.3	4.8	11.0	2.0	7.3	-5.4	4.5	9.1
ASEAN (9)	5.0	5.9	2.4	10.8	1.2	-5.4	0.2	1.1	-5.2	0.0	8.8	26.4
Hong Kong	0.7	11.2	7.7	-1.4	-12.0	-1.8	1.7	-13.5	-13.2	-21.9	-6.8	5.7
Korea, South	-4.0	-2.2	9.8	-16.2	-6.8	-13.3	-3.9	11.7	7.5	8.0	20.0	2.0
Middle East	0.3	5.4	-6.9	0.6	2.4	2.6	7.2	-6.0	2.9	-8.1	-12.0	4.8
China	1.4	7.3	-13.4	-0.3	12.9	-4.4	-4.2	-6.3	-1.7	-14.4	-1.7	10.8
Australia	6.0	33.6	16.3	-5.5	-10.7	-17.4	-20.3	-14.4	-28.2	-18.7	9.5	4.1
Total Exports (Customs basis)	-0.3	3.9	-2.2	-1.7	-1.0	-1.0	0.3	-1.8	-0.9	-7.4	3.2	100.0
Exports, f.o.b. (BOP basis)	-0.2	4.5	-1.9	-1.8	-0.9	-0.8	0.6	-1.7	-0.5	-6.6	2.2	98.6

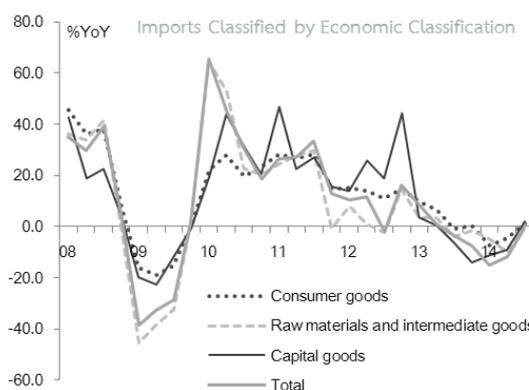
Source: BOT

Imports contracted at a slower pace as domestic demand began to grow and export sector started to recover. In the third quarter of 2014, import in US dollar term was recorded at 52.2 billion US dollars or a decline of 0.8 percent, representing a slower decline when compared with 11.8 percent contraction in the previous quarter. Import quantity declined by 0.4 percent, while the price of imports declined by 0.4 percent, mainly due to the decline in the prices of gold and automotive and parts. With unwrought gold excluded, the value of import grew by 0.4 percent. In Thai baht term, the value of import was recorded at 1,674.1 billion baht, or an increase of 1.2 percent compared with a contraction of 4.2 percent in the previous quarter.

Import in US dollar term declined by 0.8 percent compared with 11.8 percent contraction in the previous quarter.



Source: BOT



Source: BOT

Overall, there was a growth in import value of raw materials and intermediate goods, capital goods, and consumer goods, but other imports contracted. The **import value of raw materials and intermediate goods** grew by 1.1 percent. The goods whose import increased include coal, petroleum products, plastic, and integrated circuits and parts. The **import value of capital goods** grew by 1.9 percent. Goods with a growth in import value include computers, machinery, transformers, generators, motors, and accumulators, and aircrafts and ships. The **import value of consumer goods** increased by 1.1 percent, following a positive expansion in import of food, beverage, and dairy products, medicinal and pharmaceutical products, and textiles. The value of **other imports** contracted by 23.0 percent, due to the decline in the import of non-monetary gold and automotive.

Import value of raw materials and intermediate goods, capital goods, and consumer goods grew, but other imports contracted.

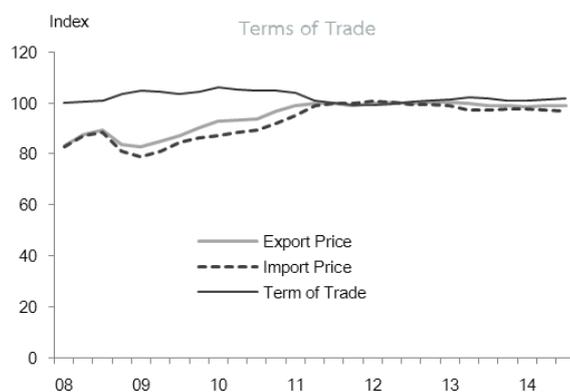
Import Value of major product

%YoY	2013					2014						Shared Q3/2014
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul	Aug	Sep	
Raw materials and intermediate goods	0.4	3.3	3.4	-3.8	-1.5	-4.7	-10.0	1.1	2.2	-9.6	11.9	58.4
Crude oil	9.8	6.2	10.1	-0.1	23.8	-4.3	-20.0	-5.2	7.5	-10.1	-8.8	14.0
Natural gas	16.6	31.5	45.7	-5.1	3.5	-6.4	-14.4	-3.9	3.2	-89.6	60.9	1.9
Coal, coke, peat	-8.7	-14.6	-9.3	-11.7	2.0	15.5	10.9	9.2	28.8	-28.2	40.3	0.6
Petroleum products	10.2	-1.4	20.2	12.4	9.6	42.3	25.1	35.2	36.0	25.5	47.4	3.9
Minerals	-4.5	-0.0	-6.6	-5.5	-5.3	-0.9	-1.3	3.8	-1.4	-1.5	14.7	3.4
Construction materials	0.4	-4.9	3.7	1.8	0.9	3.6	-5.4	6.7	3.3	1.9	15.5	4.3
Materials of base metal	-5.0	10.4	4.3	-16.1	-17.2	-19.2	-15.5	7.6	2.9	-7.7	31.6	8.6
Chemicals	-2.1	-0.7	-4.8	-0.3	-2.2	3.3	-7.6	-4.5	-7.4	-10.7	5.6	5.7
Capital goods	-4.5	3.6	0.2	-6.1	-14.1	-11.1	-9.2	1.9	10.1	-20.9	18.0	24.7
Machinery, equipment, and supplies	-13.2	-6.3	-13.8	-13.0	-19.3	-9.8	-2.6	-5.4	-3.4	-13.6	1.0	9.2
Computer	-1.2	39.6	-9.5	-14.6	-11.4	-24.3	-9.5	4.1	-5.7	2.7	18.8	0.9
Power-generating machinery and parts	-21.2	0.6	-27.9	-22.7	-29.1	4.1	17.5	18.3	25.6	0.9	31.5	2.0
Aircrafts	105.9	101.2	1,635.7	91.8	6.7	-27.9	-89.5	85.4	356.8	-76.2	68.6	2.4
Ships	-22.8	-9.2	30.0	-66.1	-20.4	-66.6	-51.1	392.0	2,769.1	203.6	39.1	0.4
Consumer goods	3.7	9.6	6.4	-1.1	0.2	-7.3	-4.5	1.1	-3.0	-12.2	19.6	8.4
Food, beverage, and dairy products	8.3	17.4	5.0	4.5	6.4	-12.4	3.9	4.5	0.4	-8.9	23.2	2.1
Medicinal and pharmaceutical products	1.1	7.9	-7.2	2.7	1.4	-7.5	9.8	5.7	-3.7	-6.8	32.3	1.0
Household Electrical Appliances	-18.5	-4.2	-3.5	-6.4	-45.2	-19.6	-15.5	-7.0	-16.0	-19.4	16.4	0.8
Textiles	0.0	-1.8	2.3	4.1	-4.5	5.9	-0.6	2.4	2.6	-7.0	12.7	0.8
Jewellery (excl. pearls & precious stones)	-15.1	-30.4	5.7	-22.0	-0.5	-8.2	-4.6	-3.3	5.3	-34.0	9.6	0.4
Other Imports	6.7	42.6	2.5	11.3	-25.6	-60.3	-39.5	-23.0	-46.9	-27.9	16.2	8.5
Non-monetary gold (excl. articles of goldsmiths)	21.6	55.4	0.8	70.3	-22.7	-82.5	-51.8	-22.2	-64.5	-29.5	67.3	3.7
Automotive	-6.2	32.8	2.4	-16.0	-31.6	-31.7	-32.8	-27.9	-32.4	-30.6	-20.1	3.8

Source: BOT

Term of Trade remained relatively stable compared with the previous quarter. Export price decreased by 0.3 percent while import price decreased by 0.4 percent, thus the term of trade stood at 102.0 in the third quarter of 2014, compared to 101.6 in the previous quarter.

Term of Trade remained relatively stable compared with the previous quarter.



Source: BOT

Trade balance recorded a surplus for the fifth consecutive quarters. The trade balance in the third quarter of 2014 recorded a surplus of 4,780 million US dollars (equivalent to 153,315 million baht), compared with a surplus of 6,052 million US dollars (equivalent to 196,667 million baht) in the previous quarter.

Trade balance recorded a surplus.

□ **Production side**

Agricultural sector decelerated following a decrease in major agricultural products, especially paddy and rubber. In the third quarter, the sector expanded by 1.7 percent, decelerated from a 4.2 percent in the previous quarter following a contraction of paddy (6.1 percent), rubber (0.3 percent) and white shrimp (16.1 percent) production. This was caused by (i) water shortage for the second crop plantation of off-season paddy and a decrease in plantation area for in-season paddy, (ii) long rainy period in Southern region resulted in less tapping days for rubber, and (iii) white shrimp production still in recovery phase from the outbreak of Early Mortality Syndrome (EMS). Nevertheless, other major agricultural productions rose including cassava (9.0 percent), fruit (26.8 percent), and livestock (4.1 percent). This was mainly caused by (i) higher yield of cassava, (ii) higher yield of fruit following a favorable weather, and (iii) higher production of livestock lead by an increase in demands from both domestic consumption and export. This positive factors has led overall agricultural sector to grow and be in line with the increase in Agricultural Product Index which rose by 2.1 percent.

Agricultural Price Index dropped by 7.2 percent in the third quarter compared to a contraction of 0.9 and 7.0 percent in the first and second quarter, respectively. The deceleration in price were found in paddy, cassava, and rubber owing to (i) an acceleration of rice sale from government’s stockpiles during August and September, (ii) higher stock of cassava products in the market, and (iii) a deceleration of Chinese rubber industry as concerns over rising global supply as well as a downward trend of crude oil has risen. On the contrary, other agricultural products experienced an increased in price especially oil palm, maize (for animal feed) and white shrimp due to (i) increasing demands for palm oil, both for domestic use (government has imposed a new policy in May 2014 which increase the ratio of biodiesel from 5 to 7 percent), and export (India has increase import of palm oil to substitute soybean oil that were damaged from the flood), (ii) greater demand for animal feed following higher production of livestock, and (iii) excess demands of white shrimp as to its low supply.

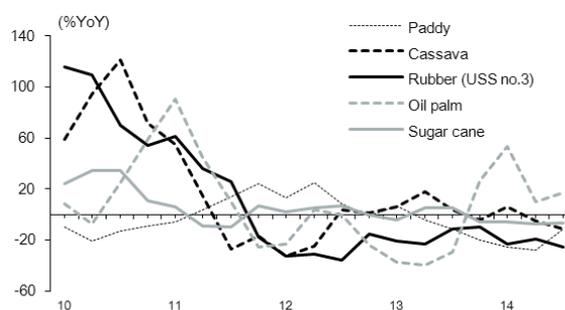
All in all, a drop of agricultural price caused farmer income to contract by 5.3 percent in this quarter.

Farm income dropped by 5.3 percent due to a continued decrease in agricultural prices



Source : OAE

Prices of oil palm rose by 17.1 percent ; while, prices of other major crops declined



Source : OAE

Industrial sector contracted at a slower pace following an improvement in export-oriented industries. In the third quarter, industrial sector slightly contracted by 0.7 percent, continually improved from a drop of 2.7 and 1.6 percent in the first and second quarter, respectively.

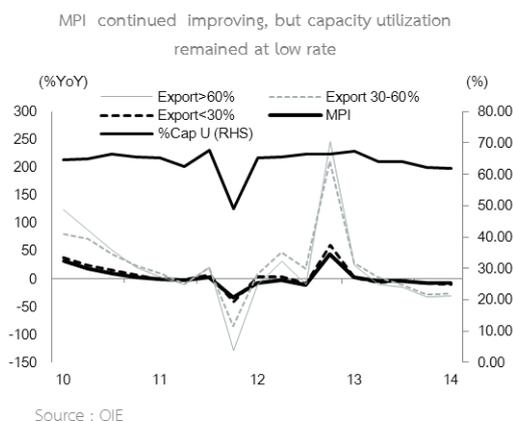
Manufacturing Product Index (MPI) dropped by 3.9 percent compared with a 4.8 percent drop in the previous quarter. This was attributed by a rapid growth of 60 percent export-oriented industries which rose from 1.1 percent growth in the previous quarter to 2.5 percent in this quarter. However, 30-60 percent export-oriented industries contracted by 17.1 percent,

Agricultural sector by expanded by 1.7 percent decelerated from the previous quarter following a decreased production in paddy, rubber, and white shrimp, while cassava, fruit and livestock production rose. Agricultural Price Index dropped by 7.2 percent which resulted in the decline in farm income by 5.3 percent.

Industrial sector contracted by 0.7 percent, continually improved owing to an improvement in export-oriented industries. While, domestic sale-oriented industries declined.

especially production of automobile and petroleum following a lower domestic sale and export of automobile as well as the temporary closure for maintenance of oil refinery (Thai Oil, Esso, and IRPC). Furthermore, less than 30 percent export-oriented industries contracted by 4.0 percent. **The average capacity utilization** remained low at 60.5 percent, slightly improved from 59.5 percent in the previous quarter, but remains lower than the 63.9 percent in the same period last year.

In details, industries with positive growth included leather products (4.8 percent), chemical products (1.3 percent), rubber and plastic products (2.1 percent), electronic appliances (14.2 percent), and hard disk drive (2.4 percent). The industries which experienced a contraction included automotive (22.6 percent), petroleum products (11.0 percent), food and beverage products (1.9 percent), textile (0.4 percent), clothing (0.3 percent), machinery and parts (1.9 percent), and electrical appliances (1.2 percent),



Construction sector contracted both in public and private construction. In the third quarter, construction sector dropped by 2.7 percent following a contraction of both public and private which fell by 1.9 and 3.6 percent, respectively. This was consistent with the reductions in sale volume of metal products (12.6 percent) and cement sales (2.9 percent), permitted construction areas (11.0 percent), and wholesale trade index (construction material) (3.3 percent). However, construction material price rose by 1.2 percent in response to higher cost of raw materials, particularly cement and concrete products.

Real estate sector started to improve. In the third quarter, the real estate sector grew by 0.2 percent, improved from a 0.7 percent contraction in the previous quarter. **On the demand side**, housing credits¹ rose by 12.1 percent, while housing right transfer in Bangkok and vicinities dropped by 15.6 percent. **On the supply side**, real estate development credit and completed and registered housing units in Bangkok and vicinities expanded by 8.2 percent and 3.5 percent, respectively. However, the numbers of new project contracted by 24.9 percent compared to the same period of last year but slightly improved from the previous quarter by 2.3 percent. **In price**, land and housing prices increased especially for land, townhouse (including land) and condominium which increased by 11.4, 8.4 and 8.0 percent, respectively.

Hotels and Restaurants Sector showing sign of improvement even though growth rate in this quarter continued to slowdown in line with the drop in number of inbound tourists. In the third quarter, hotels and restaurants sector dropped by 4.6 percent, continually declined from 4.7 percent in the previous quarter. The inbound tourist number stood at 5.8 million persons, dropped by 10.1 percent compared to 13.3 percent in the previous quarter. Tourists from most countries declined, except Africa and Middle East.

Construction sector contracted by 2.7 percent following the contraction in both public and private construction which fell by 1.9 and 3.6 percent, respectively.

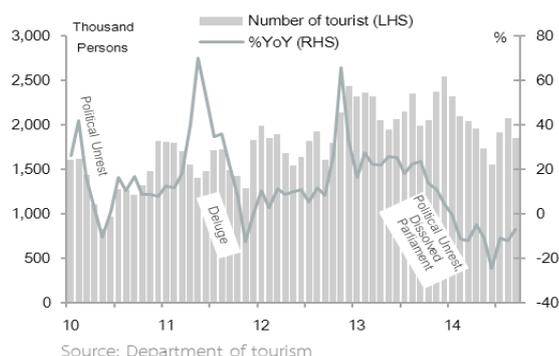
Real estate sector grew by 0.2 percent owing to the improvement in real estate demand and supply. Meanwhile, price of land and housing increased.

Hotels and restaurants sector decreased by 4.6 percent compared with a 4.7 percent drop in the previous quarter. Inbound tourist stood at 5.8 million persons while the tourism conditions gradually improved.

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

However, tourism situation tended to gradually improved as seen in the number of inbound tourists in September that drop only by 7.0 percent (the lowest drop since May 2014) and expanded by 6.1 percent in October. The overall improvement of tourism sector was attributed by (i) an exemption of VISA verification fee for Chinese and Chinese-Taipei tourists (valid for 3 months from 9 August to 8 November 2014), (ii) an improvement in political situation, and (iii) a launch of new route from Japan and Korea to Thailand by Air Asia X Airline. The average hotel occupancy rate was at 51.6 percent compared with 47.3 percent in the second quarter and 62.6 percent rate in the same period last year.

Inbound tourist number dropped by 10.1 percent, improved from 13.3 percent in the previous quarter.

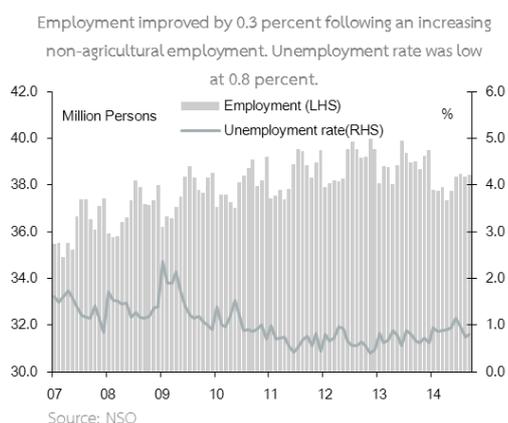


Wholesale and retail trade sector rapidly improved following a recovery of household consumption and overall confidence. In the third quarter, the sector expanded by 0.6 percent, compared with 0.2 percent increase in the previous quarter. For **wholesale trade**, fuel and agricultural materials improved by 13.6 and 1.7 percent, respectively; while construction materials declined. This was in accordance with a decline in construction sector. For **retail trade**, food, textiles and department store sales increased by 2.0, 2.7 and 4.0 percent, respectively. However, automobiles decreased by 18.1 percent following its normalization adjustment of domestic automobile sale. All in all, the increase in wholesale and retail trade sector was in line with an increase in private consumption as well as the improvement in the Business Sentiment Index and Consumer Confidence Index (overall economic situation).

Employment resumed its expansion for the first time in five quarters, while unemployment declined. In the third quarter, employment rose by 0.3 percent, including (i) employment in wholesale and retail trade rose by 3.3 percent following an improvement in wholesale and retail trade sector, (ii) employment in hotel and restaurant increased by 4.6 percent in line with an improvement in tourism and household expenditure, and (iii) employment in industrial sector rose by 1.0 percent following an increase in employment in food, chemical products and electrical appliances industries. Meanwhile, employment in other service sectors rose by 13.6 percent. As a result, employment in non-agricultural sector rose by 1.7 percent and unemployment rate declined to 0.8 percent, compared with 1.0 percent in the previous quarter. However, agricultural employment declined by 2.2 percent.

Wholesale and retail trade sector accelerated by 0.6 percent inline with an improvement in private consumption and overall confidence.

Employment expanded by 0.3 percent, a first time in 4 quarters, owing to a 1.7 percent increase in non-agricultural employment, while agricultural employment declined. Thus, unemployment rate improved.



Employed Persons by Industry

%YOY	2013					2014					
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul	Aug	Sep
Employed (100%)	-0.1	1.3	0.9	-1.2	-1.3	-0.4	-1.2	0.3	-0.2	0.5	0.6
- Agricultural (35.2%)	-0.2	1.2	0.5	-1.7	-0.4	0.7	-3.1	-2.2	-5.4	-2.0	0.6
- Non-Agricultural (64.8%)	0.0	1.4	1.1	-0.8	-1.9	-1.1	-0.2	1.7	2.7	1.9	0.6
Manufacturing (16.5%)	0.8	1.1	-1.3	2.5	0.9	-1.3	1.3	1.0	0.8	2.7	-1.6
Construction (5.5%)	2.0	6.0	5.6	-3.2	-1.4	-6.8	-6.0	-3.0	-2.8	-1.5	-4.9
Wholesale (15.9%)	0.2	3.5	2.3	-1.2	-3.7	-1.6	-2.8	3.2	3.5	7.0	-0.2
Hotel and Restaurant (6.6%)	-0.3	4.4	7.2	-6.0	-6.4	-1.3	-1.3	4.6	5.5	1.7	7.1
Unemployment (Hundred thousand persons)	2.8	2.8	2.9	3.1	2.6	3.4	3.9	3.3	3.8	2.9	3.1
Unemployment Rate (%)	0.7	0.7	0.7	0.8	0.7	0.9	1.0	0.8	1.0	0.7	0.8

Source: NSO

□ Fiscal Conditions

On the revenue side, the tax revenue collection was lower than the target and the same period of last year. In the last quarter of the fiscal year 2014 (July-September) the net government revenue collection stood at 524,952.0 million baht, lower than the target and the same quarter of last year by 14.2 and 3.1 percent, respectively, following the reduction in tax revenue collection from both consumption and income tax base. The slowdown was caused by (i) the reduction of personal and corporate income tax rates while tax base's expansion fell short from the target, (ii) a decrease in excise tax revenue collection on automotive due to the shrink in domestic demand for automotive after the-first-time-car-buyer scheme has ended, and (iii) the fall of excise tax revenue collection on cigarette as smoker has shifted their consumption behavior towards lower price cigarettes.

For the fiscal year 2014, the net government revenue collection accumulated to 2,073,912.1 million baht, lower than the target and the same period of last year by 8.8 and 4.1 percent, respectively.

The tax revenue collection in the last quarter of FY2014 was lower than the target and the same period of last year, admitted to slowdown in corporate income tax excise tax on automotive and cigarette collections.

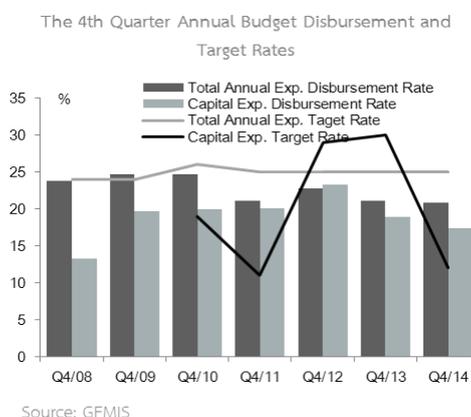
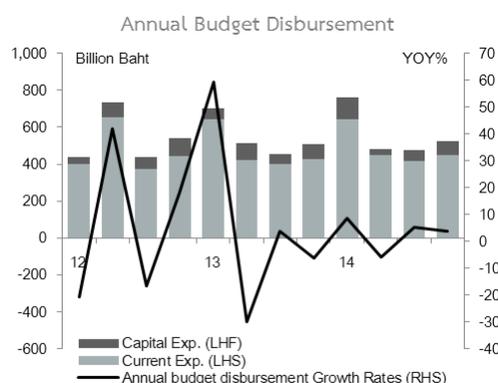
Government Revenue

Fiscal Year (Billion Baht)	2013					2014				
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Net Government Revenue	2,161.6	508.5	469.7	641.8	541.6	2,073.9	503.5	437.2	608.3	525.0
Compared with the target (%)	9.4	27.6	13.8	3.4	-0.4	-8.8	2.5	-6.1	-13.9	-14.2
YOY (%)	2.9	16.2	5.2	-1.4	-4.2	-4.1	-1.0	-6.9	-5.2	-3.1

Source: Ministry of Finance

On the expenditure side, the total budget disbursement in the last quarter of the fiscal year 2014 (July - September) was at 721,654.0 million² baht, increased by 12.2 percent from the same period of last year. Moreover, the government disbursement when classify according to there source of funding are as follows: **(i) The 2014 annual budget disbursement** in this quarter was at 525,832.7 million baht, increased by 3.9 percent from the same period of last year, and equivalent to 20.8 percent of total budget, which was lower than the target of 25 percent. In detail, the current expenditure disbursed at 450,946.5 million baht, expanded by 5.1 percent from the same period of last year (equivalent to 21.5 percent of total budget, equal to the same period of last year). Meanwhile, the capital expenditure was disbursed at 74,886.1 million baht, decreased by 3.1 percent compared with the same period of last year. (equivalent to 17.4 percent of total budget, lower than the same quarter of last year which expanded by 18.9 percent). This was caused by the delay in procurement process in the previous quarter which in turn delayed the budget reallocation process for certain projects. However, the capital budget disbursement rate in this quarter was still higher than the target of 12.0 percent. **(ii) Carry-over budget disbursement** was at 34,927.9 million baht, declined by 15.5 percent from the same period of last year (the disbursement rate was at 11.6 percent of total carry-over budget, lower than the disbursement rate of 13.8 percent in the same period of last year). **(iii) Off-budget loans disbursement** was at 4,388.8 million baht, including TKK stimulus package II of 2,000.9 million baht; the Development Policy Loan (DPL) of 1,015.9 million baht; and the Royal Decree on Investment Loan for Water Resource Management and Future Development of 1,372.0 million baht, and **(iv) State-owned enterprises' capital budget disbursement (including PTT Public Company (Limited))** was expected to disburse at 156,504.7 million bath, increased by 84.3 percent from the same period of last year. The improvement was largely contributed by the disbursement of PTT Public Company (Limited), Thai Airways International Public Company (Limited), Mass Rapid Transit Authority of Thailand and Electricity Generating Authority of Thailand.

The budget disbursement rate in the last quarter was lower than the target and the same period of last year due to the delay in the budget reallocation process



For the fiscal year 2014, (i) the annual budget disbursement amounted to 2,246,257.3 million baht, increased by 3.4 percent from the previous year (the disbursement rate was at 89.0 percent, fell short from the target of 95.0 percent). The capital budget disbursement of 284,074.5 million baht increased by 2.7 percent from last year (equivalent to 65.8 percent of total capital budget, lower than the target of 82.0 percent and the previous year of 67.8 percent); the major contributors to capital budget disbursement were Ministry of Interior, Ministry of Transport and Ministry of Agriculture and Cooperatives, with the ratio towards actual capital budget disbursement of 49.9, 22.5 and 10.3 percent, respectively; (ii) the carry-over budget disbursement of 213,684.2 million baht, which was 71.0 percent of total carry-

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

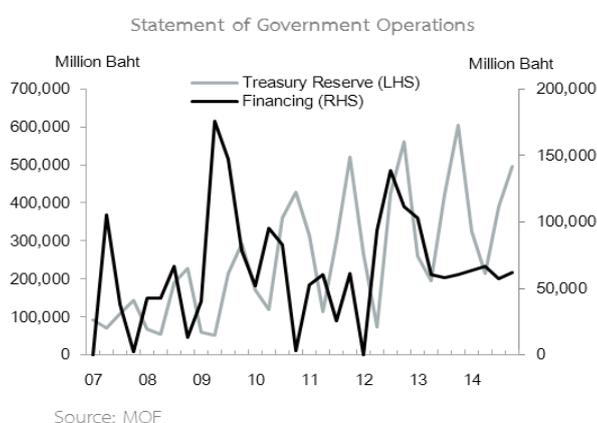
² This amount included the 2013 fiscal budget disbursement of state enterprises', from October to December 2013.

over budget; (iii) the off-budget loans disbursement of 16,762.1 million baht and (iv) State-owned enterprises' capital budget disbursement of 447,172.8 million baht³.

Fiscal Balance: in the last quarter of fiscal year 2014, the budgetary balance recorded a deficit of 44,906.2 million baht; while the non-budgetary balance recorded a surplus of 87,257.6 million baht. In addition, the government conducted a cash balance management through borrowing total of 62,113.0 million baht. Hence, the cash balance after dept. financing recorded a surplus of 104,464.3 million baht

For the 2014 fiscal year, the government's budgetary balance was deficit at 385,758.8 million baht, whereas, the non-budgetary balance was surplus at 27,123.1 million baht. In order to cover this deficit the government conducted a cash balance management through borrowing total of 250,000.0 million baht (the ceiling for borrowing in the fiscal year 2014 is at 250,000.0 million baht). Thus, at the end of fiscal year 2014, the treasury reserve amounted at 495,746.0 million baht.

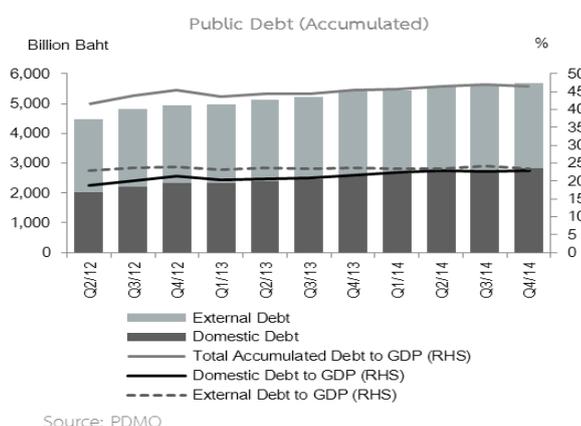
At the end of the fiscal year 2014, the treasury reserve amounted at 495,746.0 million baht



Public Debt, at the end of fiscal year 2014, was accumulated at 5,690,814.2 million baht (equivalent to 46.5 percent of GDP), increased from the previous quarter by 35,393.2 million baht. The public debt were comprised of domestic loan of 2,816,418.5 million baht (23.0 percent of GDP) and foreign loan of 2,874,395.6 million baht (23.5 percent of GDP).

The Public Debt was at 46.5 percent of GDP and remains under the fiscal prudential framework.

The components of public debt consisted of Direct Government debt at 3,965,455.0 million baht (69.7 percent of total public debt), State Enterprises debt (non-financial Institution) at 1,087,393.9 million baht (19.1 percent of total public debt), and Special Financial Institutions debt (guarantee by the government) at 626,508.2 million baht (11.0 percent of total public debt).



³ This amount included the disbursement of fiscal year 2013, from October-December 2013.

Financial Conditions

Policy interest rate remained unchanged, in the third quarter of 2014. the Monetary Policy Committee (MPC) kept policy rate at 2 percent per annum. The decision was based on the assessment that the current policy rate is at an appropriate level and sufficient for supporting the domestic demand expansion under the ongoing economic recovery stage, while the risk of financial instability remain subdued. Likewise, the policy rate in advanced countries such as US, UK and Japan continually kept at low level, while EU reduced its policy rate further from the second quarter. Furthermore, most of regional countries also maintained its policy rate except Malaysia and Philippines which decided to increase its policy rate in order to subdue their hike in inflation expectation. In addition, on the 5th of November, the MPC decided to maintain the policy rate at 2 percent per annum as deem that the current monetary policy is sufficiently accommodative and does not hinder the ongoing recovery.

An average deposit and lending rates of four major commercial banks remained relatively stable comparing to the prior period. During the third quarter of 2014, an average 12-month deposit rate of four commercial banks was slightly decreased by 13 basis points to 1.73 percent per annum. The slight adjustment was resulted from a decrease of 12-month deposit rate by one of the major commercial banks during July, while other three major commercial banks held its 12-month deposit rate unchanged throughout the third quarter. An average Minimum Loan Rate (MLR) of four major commercial banks remained stable at 6.75 percent per annum, in line with the policy interest rate. Meanwhile, medium commercial banks and Specialized Financial Institutions (SFIs) decreased their average 12-month deposit rate by 0.08 and 0.12 percent per annum to 1.75 and 2.13 percent per annum while 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 -0.50 percent per annum to -0.03 percent per annum in line with the real lending rate which increased from 4.40 percent per annum to 5.00 percent per annum. The increase in real deposit and lending rates were mainly due to declining in inflation rate.

Policy interest rate remained unchanged. While some of central bank in the regional countries increased its policy rate in order to subdue their domestic inflationary pressure.

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.

Interest rate

Bank	2013				2014							Interest rate at the end of Oct 2014	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul	Aug	Sep	Oct.		
Policy Interest rate		-0.25		-0.25	-0.25								2.00
The commercial banks' 12-month deposit rates change													
Four Major banks		0.05		-0.27	-0.49	0.10	-0.13	-0.13					1.73
Medium Commercial Banks	-0.06			-0.13	-0.35	-0.19	-0.08		-0.08		0.05		1.80
Retail Bank				-0.11	-0.26	-0.10	-0.12	-0.12					2.13
The commercial banks' Minimum Loan Rates change													
Four Major banks				-0.16	-0.10								6.75
Medium Commercial Banks				-0.13	-0.09								7.17
Retail Bank				-0.12									6.92

Source: CEIC, BOT

Deposits including Bill of Exchange (B/E) of Commercial Bank expanded at a growth rate of 3.2 percent, continuously slowed down from 3.6 percent in the previous quarter. The slowdown in deposit was largely driven by the shift in investment towards higher yield products.

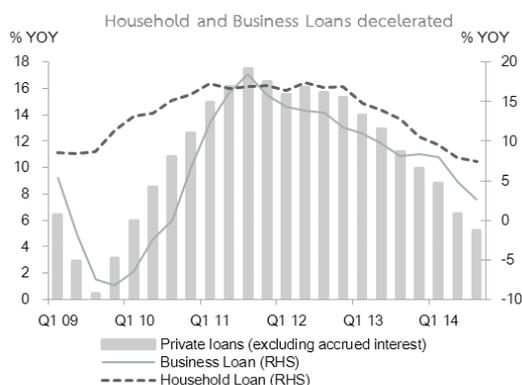
Private loans (excluding accrued interest) grew by 3.9 percent slowed down from 5.2 percent in the first quarter, following a decline in both business and household loans. Business loan decelerated to 2.7 percent compared to 5.2 percent in the previous quarter. Furthermore, household loan slowed down from an expansion of 8.9 percent to 7.8 percent. The slowdown of loan was owing to the hike in restriction of loan approval, particularly for SMEs and household. Moreover, large business enterprises chose to issue capital and debt instruments due to a favorable condition of capital market. In detail, most of the sectors registered a slowdown, while intermediated loans between financial institutions continued to contract but at a slower pace when compared to the previous quarter. In the same light, credit card expenditure registered a growth of 6.0 percent, decelerated from 7.7 percent in the previous quarter. This reflects that household was more cautious for their spending under the economic recovery phase.

Loan to deposit ratio of commercial bank system slightly loosened while excess liquidity⁴ improved from the previous quarter. Commercial bank's credit (excluding repurchase position: RP) to deposits (including B/E) ratio decreased to 101.0 percent from 102.6 percent at the end of second quarter following the decline in the private loans in the higher proportion than deposits. This resulted in the increase of excess liquidity from 1,255.1 billion baht to 1,371.7 billion baht.

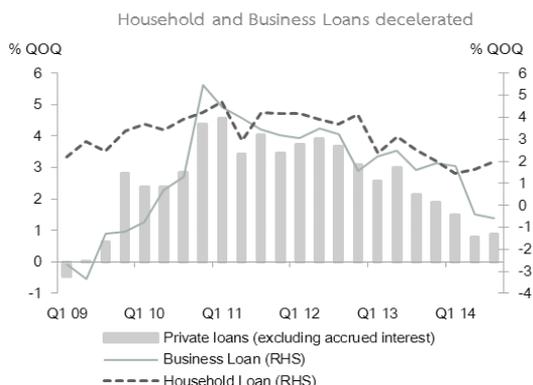
Deposits including Bill of Exchange (B/E) of Commercial Bank slowed down from the previous quarter.

Private loans slowed down to 3.9 percent, following a decline in both business and household loans.

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



Source: BOT



Source: BOT

Thai baht appreciated from the previous quarter while its movement was fluctuated in accordance to the capital flow. Thai baht movement was fluctuated throughout the quarter. During the first half of the quarter, Thai baht appreciated following an increased in capital inflow from a continuation of expansionary monetary policy of industrialized countries and an improvement in investor confidence toward the recovery of domestic economy. However, during the latter half, Thai baht has reversed its course to a depreciation trend as a result of the improvement in recovery pace of US economy which raises concern over FED's interest rate direction, thus, US dollar appreciated. Nevertheless, an average exchange rate in the third quarter of 2014 stood at 32.10 baht per US dollar, appreciated by 1.08 percent compared with the previous quarter but depreciate by 1.97 percent compared to the same period of last year.

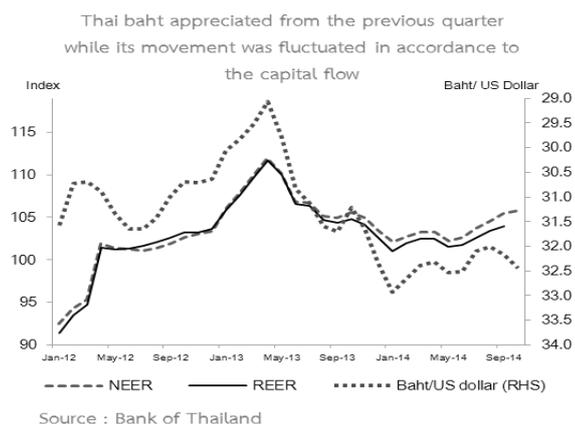
Thai baht appreciated from the previous quarter while its movement was fluctuated in accordance to the capital flow.

At the beginning of October, Thai baht reverted back to appreciation trend after investor expected that the FED is likely to postpone its interest rates hike to the second half of 2015 in response to the sign of global economic slowdown. Nevertheless, Thai baht, during the end of

⁴ 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.

October, rapidly depreciated after a better-than-expected recovery of US economy as shown by many economic indicators. All in all, an average exchange rate in the October of 2014 stood at 32.45 baht per US dollar and an average Thai baht during 3rd – 14th of November was at 32.77 baht per US dollar.

Thai baht against trading partner's⁵ appreciated when compared to the previous quarter and the same period of last year. At the end of the third quarter, Nominal Effective Exchange Rate (NEER) was at 105.5, appreciated by 2.81 and 0.48 percent compared with the previous quarter and the same period of last year, respectively. Meanwhile, Real Effective Exchange Rate (REER) appreciated by 2.26 percent compared with the previous quarter but depreciated by 0.33 percent from the same period of last year.



Capital and financial account recorded net inflow, reverted back from net outflow in the previous quarter. In the third quarter of 2014, capital and financial account registered a net inflow of 2.17 billion US dollars, compared to a net outflow of 1.14 billion US dollars in previous quarter owing to net inflow in government and other sectors. Moreover, most of the inflow was concentrated in foreign direct investment, especially in Information & Communication Technology sector, and portfolio investment of foreign investors. However, Thai investors continued to invest abroad, both direct investment and portfolio investment, in order to obtain higher investment yield.

Capital and financial account recorded net inflow from an increase in inflow of foreign direct investment and portfolio investment.

Capital Flow

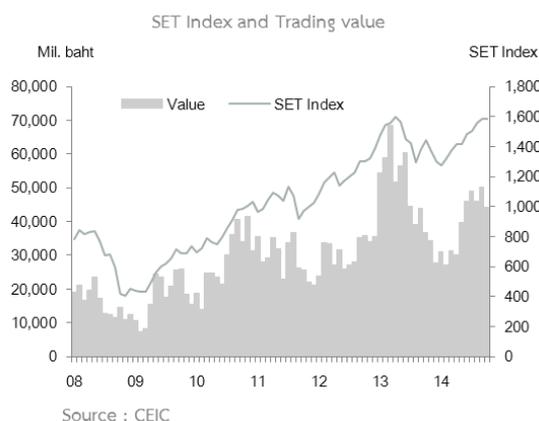
(พันล้านดอลลาร์ สรอ.)	2013	2014					
	Year	Q1	Q2	Q3	Jul	Aug	Sep
Capital and financial account	0.38	-6.12	-1.14	2.17	4.69	-1.72	-0.80
Government	4.53	-1.50	0.22	2.16	1.55	0.41	0.20
Monetary Authorities	-4.56	0.15	0.28	-1.18	1.99	-1.85	-1.32
Bank	-0.83	-3.45	2.12	-3.14	0.73	-1.10	-2.77
Others	1.13	-1.33	-3.76	4.34	0.44	0.82	3.08
Direct Investment	6.17	2.50	0.44	5.35	1.2	1.43	2.70
Thai investor	-6.64	-0.89	-2.94	-0.42	-0.35	0.58	-0.65
Foreign investor	12.81	3.39	3.38	5.77	1.57	0.85	3.35
Portfolio Investments	-7.26	-3.30	-2.88	-0.22	3.06	-1.66	-1.62
Thai investor	-2.76	-1.64	-3.22	-1.84	-0.96	-0.49	-0.38
Foreign investor	-4.50	-1.66	0.34	1.62	4.02	-1.17	-1.24
Loans	11.18	-3.53	1.52	-2.46	0.49	-1.99	-0.95
Other	-9.34	-1.80	-0.21	-3.44	-0.08	-1.50	-1.86

Source: BOT

⁵ 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.

SET index fluctuated in an upward trend throughout the third quarter, with foreign investors as main driving force. Foreign investors posed a net buy of 37.3 billion baht after five consecutive quarters of net sell. The improvement was mainly owed to a hike in investor confidences over a recovery of domestic economy after political tension has eased-off. Moreover, the continuation of expansionary monetary policy in industrialized countries and market expectation over FED decision to kept its interest rate unchanged until the latter half of 2015 also pushed up investor confidences. As a result, SET Index closed at 1,585.7 points at the end of quarter, increased by 6.7 and 14.7 percent from the previous quarter and the same period of last year, respectively, with an average trading value rose to 48.5 billion baht increased from 38.9 billion baht recorded in the previous quarter.

In October, SET index closed at 1,584.2 points, with most of the upside gain were seen in the last week of the month, relatively unchanged from the closing price in September even though foreign investors posed a net sell of 16.1 billion baht. This situation were supported by 3 main factors as follows (i) net buy position from institution investors from both LTF and RMF, (ii) an announcement of FOMC that lead to investors expectation over FED decision to kept its interest rate unchanged, and (iii) an announcement of new quantitative easing policy by Bank of Japan. During 3rd – 14th of November, SET index continue to fluctuate in line with the global economic conditions and investor expectation over continuation of expansionary monetary policy of industrialize countries.

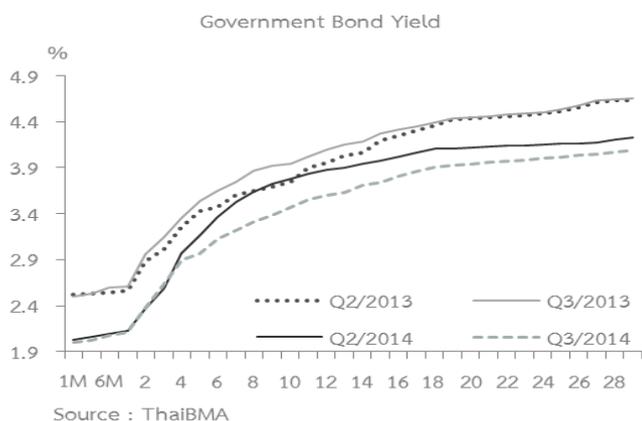


Foreign investors registered a net buy in bond market. In the third quarter, foreign investors registered a net buy of 128.0 billion baht, almost twofold from 69.3 billion baht in the previous quarter. Most of the net buy was seen in July with the record of 170.2 billion baht, which reflects an improvement in investors' confidence after domestic political situation has eased-off while market expectation over FED decision to held its interest rate unchanged till the latter half of 2015 also pushed up capital inflow towards Thai bond market. However, during August and September, foreign investors conduct profit taking in short-term maturity bonds and record a net sell of 23.6 and 18.6 billion baht respectively. Average daily outright trading volume in the third quarter registered at 74.0 billion baht, slowed down from 87.8 billion baht in the previous quarter. Thai government bond yield at the end of this quarter shifted downward in all maturities. This was owing to a continuous increased in government bond index as demand for long-term maturity bond by foreign investors remain high while new issuance in the primary market decline.

In October, foreign investors net buy slightly increased to 3.7 billion baht. Moreover, market expectation over FED decision to kept its policy rate unchanged until mid of 2015 has caused foreign capital to flow into domestic long-term bond for 5-consecutive months. As a result, government bond index continuously increased from 105.0 points in September to 106.4 points in October.

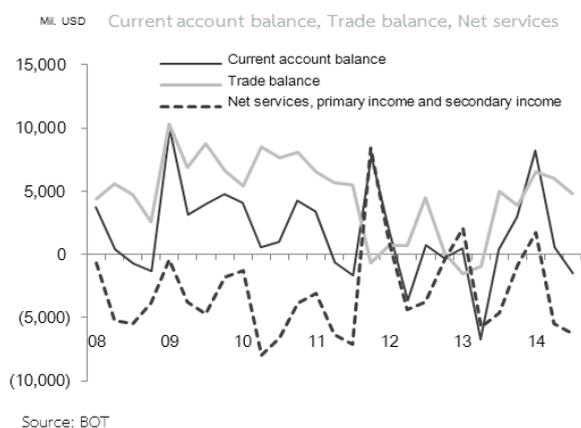
SET index fluctuated in an upward trend throughout the third quarter, with foreign investors as main driving force.

Foreign investors net buy dramatically increased.



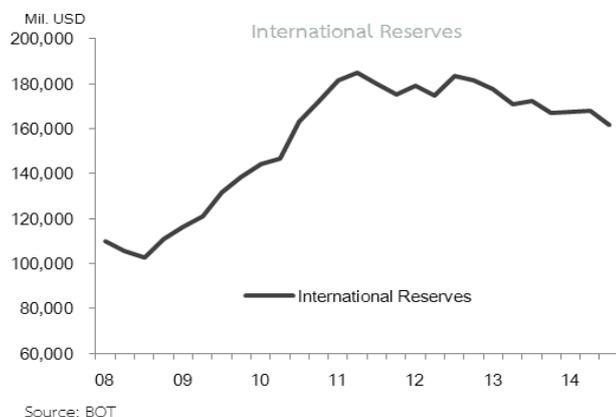
Current account in the third quarter of 2014 registered a deficit of 1,479 million US dollars (47,556 million baht), compared with a surplus of 531 million US dollars (17,376 million baht) in the previous quarter. This was a result of a trade surplus of 4,780 billion US dollars and a deficit in services, primary and secondary income of 6,259 billion US dollars.

Trade balance recorded a surplus but current account registered a deficit.

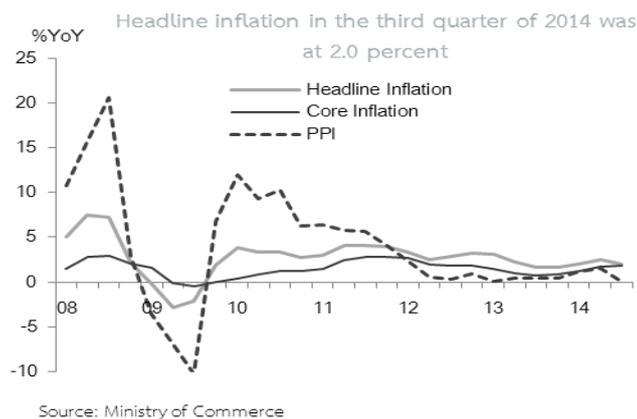


International reserve at the end of September 2014 stood at 161.57 billion US dollars (excluded net forward position of 24.75 billion US dollars), which was equal to 2.6 times of short-term foreign debt (at the end of the second quarter of 2014) or 9.3 months of import value (the average of import value in the third quarter of 2014).

International reserve at the end of September 2014 stood at 161.57 billion US dollars.



Headline inflation in the third quarter of 2014 was at 2.0 percent, decelerating from 2.5 percent in the previous quarter due to a decline in the price of fruits and vegetable, and the deceleration of energy price. **Food-and-beverage price index** increased by 4.0 percent, decelerating from 4.4 percent in the previous quarter due to the seasonal decline in prices of fruits and vegetable. The **non-food-and-beverage price index** increased by 1.0 percent, decelerating from 1.5 percent increase in the previous quarter. This was mainly due to the decline in domestic retail fuel prices, which inline with the drop in global crude oil price. The energy price indices increased by 2.2 percent, compared with an increase of 5.1 percent in the previous quarter. The core inflation stood at 1.8 percent, compared with 1.7 percent in the previous quarter.⁶



Producer Price Index (PPI) in the third quarter of 2014 rose slightly by 0.1 percent, decelerating from 1.5 percent in the previous quarter, due primarily to the decline in prices of agricultural products and the deceleration in prices of mining and manufactured products. The price of agricultural products declined by 0.6 percent, due to the decline in the prices of agricultural products and fish and fishery. Meanwhile, the prices of mining products increased by 1.9 percent decelerating from 11.1 percent growth in the previous quarter. The price of manufactured products increased by 0.2 percent decelerating from 1.7 percent in the previous quarter as a result of the slowdown in the prices of petroleum products.⁷

Headline inflation in the third quarter of 2014 was at 2.0 percent, decelerating from 2.5 percent in the previous quarter.

Producer Price Index (PPI) in the third quarter rose slightly by 0.1 percent.

⁶ In October 2014, headline inflation was 1.5 percent while core inflation was 1.7 percent. In the first ten months of 2014, headline inflation was 2.1 percent while core inflation was 1.0 percent.

⁷ In October 2014, Producer Price Index declined by 1.3 percent. In the first ten months of 2014, Producer Price Index rose by 1.4 percent.

2. Crude oil price movement in Q3/2014

The average crude oil price declined. In the third quarter of 2014, the average crude oil price in the 4 major markets (Dubai, Oman, Brent and WTI) stood at 100.63 US dollars per barrel or a decline of 5.9 percent. This level was lower than the average prices of 103.98 US dollars per barrel in 2013 and 105.02 US dollars per barrel in the first half of 2014. Compare with the previous quarter, a crude oil price declined by 5.3 percent.

The decline in crude oil price in this quarter was mainly owing to (i) the increase in global supply, as US and Canada increased their average production to 14.05 and 4.36 million barrels per day, representing an increase of 11.3 and 6.2 percent respectively compared with the same period last year. Moreover, Libya was able to resume its crude oil production after its domestic situation began to improve. As a result, global crude oil production in this quarter stood at 92.27 million barrels per day, or a 1.8 percent increase compared with the same period last year, and (ii) global demand for oil still increase slowly in accordance to the slowdown in global economy.

Crude oil price declined due to the increase in global supply as US and Canada increased their production.

Crude Oil Price

Year		US Dollars per Barrel					Growth (%YOY)				
		Oman	Dubai	Brent	WTI	Average	Oman	Dubai	Brent	WTI	Average
2012	Q1	115.95	115.11	117.51	101.87	112.61	15.3	14.9	11.7	8.2	12.6
	Q2	106.36	106.3	108.84	93.43	103.74	-4.3	-4.0	-7.1	-9.0	-6.0
	Q3	106.52	106.31	109.58	92.33	103.68	-0.8	-0.6	-2.3	2.9	-0.4
	Q4	107.3	107.28	110.04	88.15	103.19	0.3	0.9	0.9	-6.2	-0.8
	Year	109.04	108.75	111.49	93.95	105.81	2.4	2.6	0.5	-1.3	1.1
2013	Q1	108.13	108.12	112.64	95.18	106.02	-6.7	-6.1	-4.2	-6.6	-5.9
	Q2	100.73	100.64	103.56	94.27	99.80	-5.3	-5.3	-4.9	0.9	-3.8
	Q3	106.14	106.00	109.68	105.73	106.89	-0.4	-0.3	0.1	14.5	3.1
	Q4	105.30	105.27	107.83	94.40	103.20	-1.9	-1.9	-2.0	7.1	0.0
	Year	105.08	105.01	108.43	97.40	103.98	-3.6	-3.4	-2.7	3.7	-1.7
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
	Jul	106.10	106.08	108.23	102.40	105.70	2.8	2.8	0.8	-1.9	1.1
	Aug.	101.86	101.45	103.28	96.03	100.65	-4.6	-4.9	-6.5	-9.9	-6.5
	Sep.	96.81	96.33	98.62	90.41	95.54	-10.7	-10.9	-11.4	-15.0	-12.0
	Oct.	86.90	86.87	88.36	84.68	86.70	-18.5	-18.5	-19.3	-15.9	-18.1
	1-13 Nov	80.19	79.20	82.65	77.97	80.00	-23.2	-24.1	-21.6	-17.3	-21.7

Source: Thai Oil PCL

2014 WTI Price Projection

Institution	2014 (USD/Barrel)	2015 (USD/Barrel)
Deutsche Bank AG (October 2014)	102.65	80.50
EIA (October 2014)	97.72	94.58
Barclays (October 2014)	94.72	85.00
Goldman Sachs (October 2014)	90.00	72.50

Source: Collected by NESDB

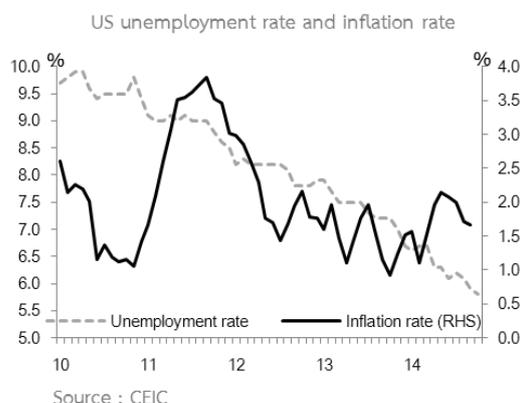
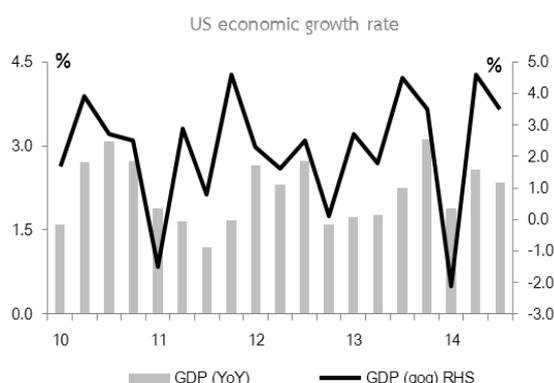
3. World Economic in Q3/2014

The world economy in the third quarter of 2014: The US and Chinese economies experienced a slowdown from the last quarter. Meanwhile, the recovery of the Japanese and the EU economies remained weak. Therefore, many developing countries particularly those in Asian countries also exhibit a moderate growth, and thus resulted in the overall global economic slowdown. However, the US economy showed clear sign of a strong recovery which allowed the Federal Reserve Bank (Fed) to continually taper the QE measure before ending its program in October 2014. In the meantime, the fragile recovery amid deflationary pressure has created higher possibilities for both Japan and the Eurozone to enter into recession. Therefore, the Bank of Japan (BOJ) recently launched additional quantitative and qualitative easing (QQE) programme while the European Central Bank (ECB) also has continued to introduce more quantitative easing programs. Economic setting and the diverged monetary policy between the US and both Japan and the Eurozone have led to the US dollar appreciation against the Japanese Yen and the euro. Meanwhile, the commodity and oil prices in the world market continued to plunge.

- US economy continued to expand despite a gradual slowdown:** In the third quarter, the US economy experienced a slowdown both when comparing with the previous quarter and with the same period of last year. Based on quarter-on-quarter basis, the economy grew by 3.5 percent (%QoQ saar.), slowing down from 4.6 percent in the previous quarter. Compared with the same period of last year, the economy expanded by 2.3 percent (%YoY), a slight decline from 2.6 percent in the second quarter. A slowdown owed mainly to a softened growth of private spending in nondurable goods and a contraction in residential fixed investment. Nevertheless, the recovery of the US economy has gained stronger momentum and recovered stronger than expectation in the third quarter which was mainly due to a positive contribution of net exports and government consumption. Meanwhile, the labor market conditions have continued to show an improvement. The unemployment rate in the third quarter decreased to 6.1 percent and also continued to 5.8 percent in October, the lowest recorded in past six years. The Inflation was at 1.8 percent, down from 2.1 percent in the previous quarter owing to softened oil prices. As a result of a continual economic recovery, better labor market conditions, and subdued inflation below the committee's 2-percent-longer-run target, therefore, according to the meeting on 28th-29th October 2014, the FOMC decided to end its quantitative easing (QE) programme. However, the Fed still kept the interest rate unchanged at 0.0-0.25 percent. In the first three quarters of 2014, the US economy expanded by 2.3 percent.

The world economy in the third quarter of 2014 experienced a slowdown due to deceleration of US and Chinese economies as well as a weak recovery of the Japanese economy.

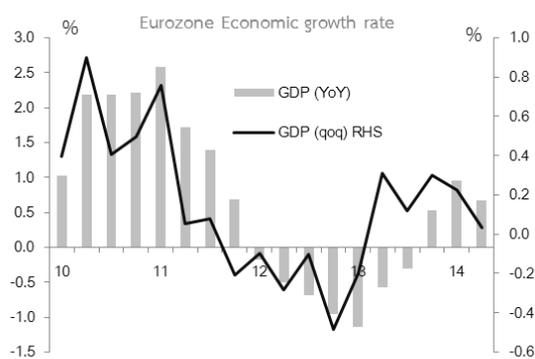
US economy in the third quarter grew by 3.5 percent (%QoQ saar.), slowing down from 4.6 percent in the previous quarter due to a softened growth of private spending in nondurable goods and a contraction in residential fixed investment.



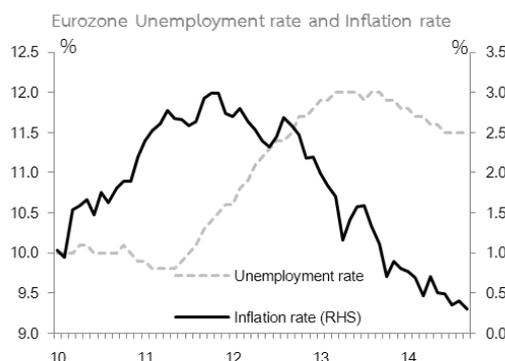
Eurozone economy in the third quarter grew by 0.2 percent (%QoQ, sa), compared with 0.1 percent in the second quarter due mainly to expansion of the Germany and France economies of 0.1 percent and 0.3 percent, respectively, after contracted in the second quarter.

- Eurozone economy remained weak:** In the third quarter, the EU economy grew by 0.2 percent (%QoQ, sa), compared with an expansion of 0.1 percent in the second quarter. The Germany and France economies grew by merely 0.1 and 0.3 percent, respectively, after

contracted in the second quarter. Nevertheless, the Italian economy contracted by 0.1 percent, compared with no growth in the second quarter. In year-on-year basis, the Eurozone economy grew by 0.8 percent (%YoY), similar rate to the previous quarter. Overall, the recovery still remained weak which reflected in many key indicators. Manufacturing PMI fell to 52.9 in the third quarter from 53.4 in the second quarter. The industrial production index grew by 0.3, somewhat slowing from 0.9 percent in the second quarter. Furthermore, the domestic demand remained moderate due to high unemployment rates at above 10 percent for 39 consecutive months. Moreover, the deflationary pressure continued to hover. The inflation in the third quarter remained low at 0.3 percent, the five-year lowest rate. As a result of a weak recovery and rising disinflationary pressure, the ECB decided to launch additional expansionary monetary policies by cutting the interest rate on the main refinancing operations to 0.05 percent, the interest rate on the marginal lending facility to 0.30 percent and the interest rate on the deposit to a negative 0.20 percent as well as to introduce a new open market operation programs in September. In the first three quarters of 2014, the economy expanded by 0.9 percent.



Source : CEIC



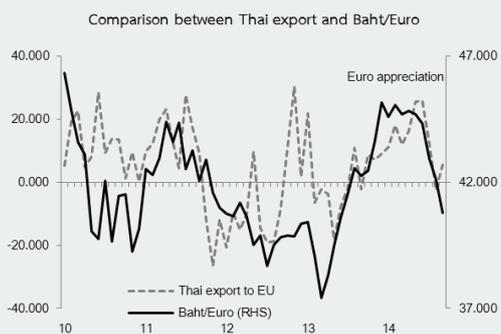
Source : CEIC

Open market operations differences between the US and Eurozone

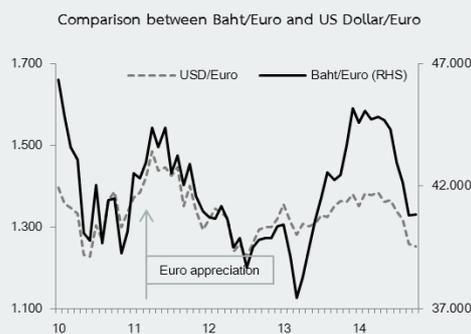
Eurozone (Billion euro)			US (trillion dollars)	
May 2010	SMP	144.85	Nov 2008-Mar 2010	
Oct 2010	CBPP1	30.37	QE 1	1.75
Nov 2011	CBPP 2	13.21	Nov 2010-June 2011	
Dec 2011	LTRO 1	489.10	QE 2	0.6
Mar. 2012	LTRO 2	529.00	Sep 2012-Oct 2014	
Jul 2014	TLTROs	82.60	QE3+QE4	1.3-1.5
Oct 2014	CBPP 3	7.40		
Oct 2014	ABSPP	NA		
Total		1,296.53		3.65-3.85

Source: Collected by NESDB, Outstanding amount at 7 Nov 2014

SMP = Securities Market Program, CBPP = Covered Bond Purchase Program, LTRO = Long Term Refinancing Operations, TLTROs Targeted Longer-Term Refinancing Operations, ABSPP = Asset-Backed Securities Purchase Program.



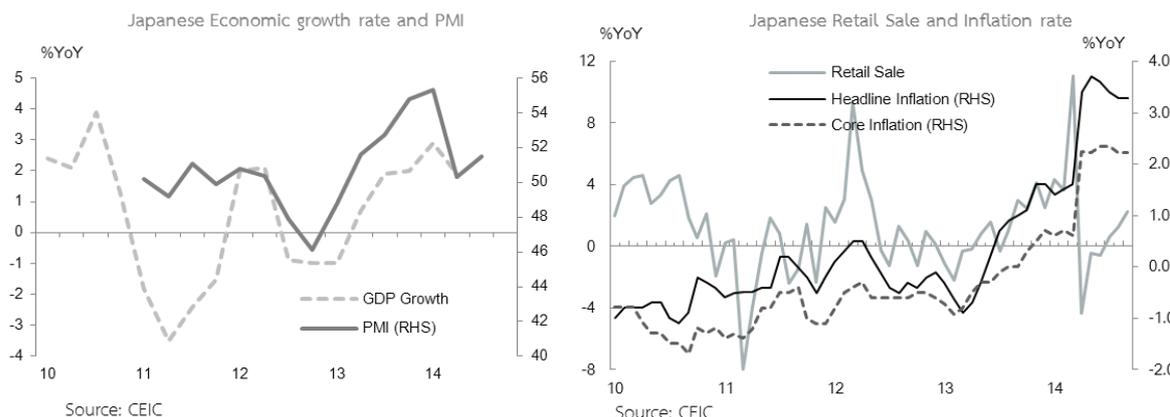
Source : CEIC



Source : CEIC

❑ **Japanese economy started to expand yet remained fragile:** In the third quarter, the Japanese economy tends to recover slowly after experiencing a contraction of 1.7 percent (%QoQ sa) in second quarter due to the consumption tax hike in April 2014. The expansion was primarily driven by increases in net export and private consumption. In the third quarter, retail sales index increased by 1.6 percent, compare with a negative 1.8 percent in the second quarter. Export value grew by 3.2 percent, up from 0.1 percent in the previous quarter while import value slowed down and thus resulted in a smaller trade deficit. Meanwhile, unemployment rate declined to 3.6 percent. Inflation rate also dropped to 3.3 percent. As a result of a slow recovery of the Japanese economy and a softened inflation rate, the Bank of Japan decided to expand quantitative and qualitative easing (QQE) in October 2014.

Japanese economy in third quarter tends to recover slowly after experiencing a contraction of 1.7 percent (%QoQ sa) in second quarter due to the consumption tax hike in April 2014.



Japan’s Quantitative and Qualitative Monetary Easing: (QQE)

The aim is to reach price stability of 2 percent on a year-on-year basis by 2015. In addition, on October 31st, the Monetary Policy Committee of the Bank of Japan (BOJ) has decided to increase its amount of monetary, which are as follows,

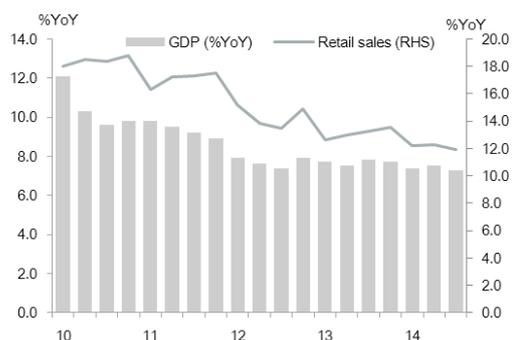
(Trillion yen)	End-2012	Oct-2013	End-2014 (projected)	The pace of annual increase
Monetary base	202	252	275	80
Bank’s Balance Sheet				
JGBs	142	184	200	80
Exchange-traded funds	2.5	3.3	3.8	3
Japan real estate investment trusts	0.14	0.16	0.18	0.09

Source: BOJ, SCBEIC

❑ **Chinese economy slowed down:** In the third quarter, the Chinese economy expanded by 7.3 percent (%YoY), the lowest growth rate in five years, slowing from 7.5 percent in the second quarter. In quarter-on-quarter basis, the Chinese economy expanded by 1.9 percent (%QoQ saar). A slowdown was primarily due to decelerations in fixed asset investment, private consumption and manufacturing production. However, export value showed an immense growth of 14.9 percent, accelerating from the previous quarter, contributed largely by increases in exports to major markets such as US, Europe and ASEAN. Meanwhile, imports grew slightly by 1.2 percent which thus made a trade balance to record the largest surplus ever. The inflation rate was at 2.0 percent in the third quarter due to softened prices of food and fuel and also a decline in residential prices following a lower housing market demand. The Chinese economy in first 3 quarters of 2014 expanded by 7.4 percent.

Chinese economy in the third quarter expanded by 7.3 percent (%YoY), the lowest growth rate in five years, slowing from 7.5 percent in the second quarter

China Economic growth rate



Source: CEIC

Export growth in major markets of China



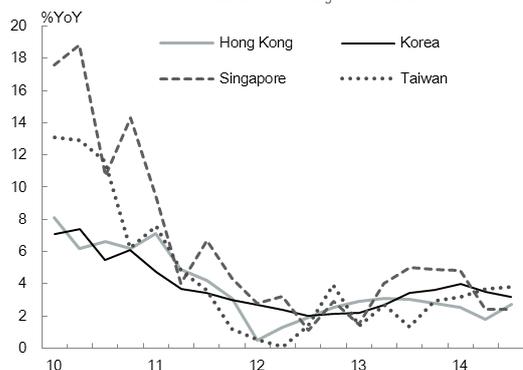
Source: CEIC

Chinese's government stimulus package

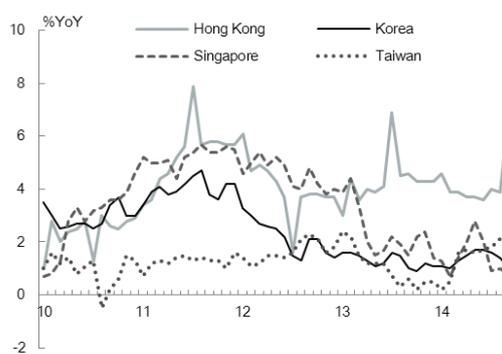
Since April 2014, the Chinese government has announced a set of mini-stimulus packages through fiscal expansion such as tax, including financial support to targeted group (Targeted measures) aiming to support SMEs and low-income housing in urban area. Moreover, the People's Bank of China has reduced the required reserve ratio for banks that mainly lend to small businesses and agricultural sector. In addition, in September 2014, the Chinese government launched new short term stimulus measures including: (i) raising its re-lending quota for the farm sector by 20 billion Yuan, The central bank has also cut re-lending interest rates for loans to the agricultural sector by 1 percentage point (ii) injecting 500 billion Yuan (\$81 billion) into the country's five major state-owned banks (iii) accelerating investment in renewable energy and utilities, and (vi) accelerating the low cost housing construction and increasing in environmental protection expenditure. Moreover, the government also helps the real estate sector by easing rules to allow some listed property developers to raise funds in the interbank market

- Newly Industrial economies expanded well:** In the third quarter; the Taiwanese economy expanded by 3.8 percent, somewhat up from 3.7 percent in last quarter. The expansion was driven by stronger growth in export, investment and government expenditure. The Hong Kong economy grew by 2.7 percent, higher than 1.8 percent in the second quarter, owing to expansion in manufacturing sector and retail sales. The Singaporean economy expanded by 2.4 percent, same rate as in the previous quarter. The economic growth was mainly contributed by a spur in service sector. However, manufacturing and construction sector remained modest. The Korean economy increased by 3.2 percent, down from 3.5 percent in the previous quarter, due to declines in net export and manufacturing and agricultural sector. Besides, the inflation rates were softened in most of NIEs countries in line with oil price plunge. However, Hong Kong's inflation increased since the government abolished its subsidy measures on electricity bill and housing rentals. Overall, in the first three quarters of 2014, Korean, Singaporean, Taiwanese and Hong Kong economy expanded by 3.5 3.2 3.5 and 2.3 percent respectively.

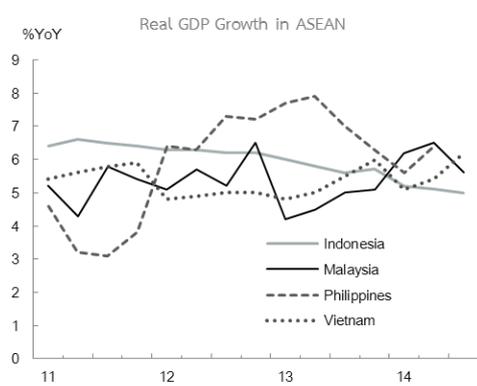
NIEs economic growth rate



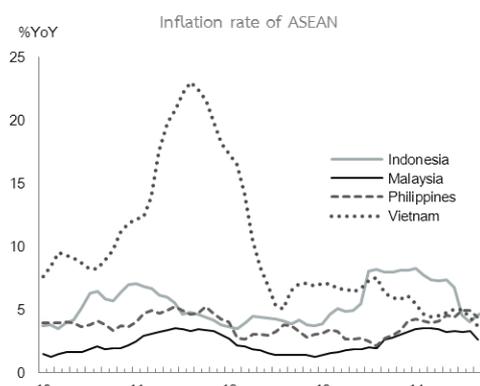
Source: CEIC



□ **ASEAN economies continued to expand:** In the third quarter, most ASEAN economies continued to expand well. The Vietnamese economy expanded by 6.2 percent, speeding up from 5.4 percent in the previous quarter, mainly driven by the service sector, industrial and construction sector. The Indonesian economy expanded by 5.0 percent, the lowest rate in five years, a slight slowdown from 5.1 percent in the second quarter, mainly due to a softened private consumption and total investment. Meanwhile, government expenditure and exports improved. The Philippines economy tends to grow well contributed largely by higher household consumption in line with the expansion of remittances, and robust export growth. However, the Malaysian economic expanded by 5.6 percent, slowing down from 6.5 percent in the second quarter, owing to the slowing in total investment and exports. The inflation rates decreased in almost countries. In the first 3 quarters of 2014, the economies of Vietnam, Indonesia, and Malaysia expanded by 5.6 5.1 and 6.1 percent, respectively.



Source: CEIC



Source: CEIC

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 Prospect in 2015

The World Economy in 2015 is expected to grow by 3.6 percent, a slight increase from 3.2 percent in 2014 due to stronger recovery among several major countries. The most important role is the US economic recovery with healthier labor market condition which in turn create greater possibility that Fed will hike the policy rate in mid-2015. Meanwhile, the Eurozone and the Japanese economies tend to recover modestly in line with a pickup in the US economy and a continued easing monetary policy to stimulate the economy and to lessen deflationary pressure. However, the Chinese economy is expected to show a slower growth following the economic reform measures aiming to achieve a more balance and sustainable economy. Moreover, stronger global economy in 2015 will also boost the world trade volume, which is projected to increase by 4.8 percent, higher than 3.8 percent in 2014. This will be a key factor to support growths in several emerging and developing economies.

Moreover, as a result of the process of normalizing monetary policy in the US and the continued implementation of quantitative easing measures from ECB and BOJ, it is thus expected the US dollar to continuously appreciate against Japanese Yen and the euro. Additionally, as a result of the appreciation of US dollar, a slight recovery of the global economy, an increase in Non-OPEC's oil production, it is thus expected that oil prices in 2015 tend to decrease from 2014 and commodity price will remain softened.

- **US economy will show a stronger growth:** In 2015, it is projected to expand by 2.6 percent, accelerating from 2.1 percent in 2014. Key growth engines include: (1) A recovery of household consumption in line with an improving labor market, better lower household debts, and the expansion of asset and real estate prices while inflation remains low, (2) An expansion of private investment, particularly in non-residential fixed investment. As a result of the improvement in economic activity and labor market, it is expected that Fed will cautiously lift off the policy rate around mid-2015 in order not to make negative impact on the economic recovery.
- **Eurozone economy is likely to recover modestly:** In 2015, it is forecasted to grow by 1.2 percent, gradually picking up from 0.8 percent in 2014, supported largely by more accommodative monetary policy. However, there are some downside risks associated with the Eurozone economy including: (1) High unemployment rate averaged at 11.6 percent in the first nine months. (2) Mounting deflation pressures during the end of 2014, which together with oil price plunge, it is expected that the inflation will remain subdued. (3) Slow recovery of private investment in tandem with a weak economic recovery and tightened credit conditions. (4) Continuing fiscal consolidation which will restrain the economic prospect. (5) Impacts from the sanction measure over Russia and increasing geopolitical tensions between Russia and Ukraine which will adversely affect overall confidence. As a result of a modest recovery of economy amid rising deflationary pressure, it is likely that the ECB tend to continue its expansionary monetary policy and launch more quantitative easing.
- **Japanese economy tends to improve though remains weak:** It is likely to grow at a moderate pace of 1.2 percent, slightly higher than 1.0 percent in 2014. The growth will be driven by (1) Better labor market and wage. (2). Ongoing monetary easing for stimulating domestic demand especially private investment. (3) Stronger exports benefitting from the Yen depreciation and the global recovery especially main trading partners such as the US and the Eurozone economies. However, the scheduled second round of consumption tax hikes in October 2015 will affect the economic recovery.
- **Chinese economy will experience a slow growth:** It is expected to grow by 7.2 percent, slower than 7.4 percent in 2014, due to rebalancing economic policy to depend less on investment. However, the economy will be able to grow moderately due to short-term

The World Economy in 2015 is expected to grow by 3.6 percent, a slight increase from 3.2 percent in 2014 due to stronger recovery among several major countries.

economic stimulus packages aiming to maintain the economic growth and support the employment. These measures consist of infrastructure projects such as the construction in residence for the low-income household, railways, renewable energy and utilities, extension of tax incentive for SMEs until the end of 2016 and low interest rate loans. In addition, export is likely to be a key growth driver, supporting by the global economic recovery and the Yuan depreciation.

- ❑ **NIEs economies are likely to further expand:** In 2015, the Korean, Taiwanese, Hong Kong and Singaporean economies are expected to increase by 4.2, 4.0, 3.5 and 4.2 percent respectively, better than 2014. The economic expansion will be driven by exports which tend to improve due to the recovery of advanced economies and the acceleration of world trade volume, as well as expansion of domestic demand in each country. However, high household debts have still become key limitation for the Korean economy.
- ❑ **ASEAN economies tend to improve:** In 2015, is likely to perform better than 2014 contributed largely by expansions in export and domestic demand. The Indonesian economy is expected to grow by 5.5 percent, up from 5.1 percent in 2014, driven by government expenditures and private investment as a result of improving economic sentiment after the new government formed. The Philippines economy is expected to grow by 6.4 percent thanks to stronger global recovery which help enhance remittances from abroad as well as the acceleration in the reconstruction spending. The Vietnamese economy is expected to grow by 5.8 percent, spurring from 5.5 percent in 2014, fueled by exports and the progress made in resolving NPLs in banking sector. The Malaysian economy is expected to grow 5.6 percent, down from 6.0 percent in 2014, owing mainly to the tightened monetary policy in the previous period aiming to reduce the inflationary pressure. Such policy will thus adversely affect private consumption and private investment. However, exports are expected to grow strongly.

5. The Thai Economic Outlook for 2014

The Thai economy in 2014 is expected to grow by 1.0 percent compared with 2.9 percent in 2013. The headline inflation is likely to remain subdued at 2.1 percent compared with 2.2 percent in 2013 and the current account tends to record a surplus of 2.9 percent of GDP, compared with a deficit of 0.6 of GDP in 2013 .

On the 17th of November 2014, the Office of National Economic and Social Development Board (NESDB) released the new economic projection projecting that the Thai economy in 2014 will grow by approximately 1.0 percent, downwardly adjusted from 1.5-2.0 percent growth in the previous projection released on 18th August 2014. The underlying reasons for the downward revision are as follows:

- 1) **The low growth of 0.6 percent in the third quarter suggesting a slower recovery as expected.** Together with the expansion of 0.1 percent in the first half year, the economy in the first 9 months grew by only 0.2 percent.
- 2) **The weaker-than-expected recovery of the global economy.** In the third quarter, the economies of Thailand's major trading partners slowed down from the second quarter including both the US and China. The Euro zone and the Japanese economies also remained weak under the deflationary pressure and high risks of entering into recession. Moreover, the export price of agricultural products continued to decline following the world economic slowdown, falling oil price and the US dollar depreciation. Hence, these factors caused the slump in export value in the third quarter after growing in the past two quarters. Therefore, NESDB revised down the world economic growth from 3.3 to 3.2 percent and thus the export value growth from 2.0 to 0.0 percent in 2014.
- 3) **The lower-than-expected passenger car sales and car production** which remained a key limitation for the economy both for private consumption and manufacturing production. In the third quarter, passenger car sales and car production totaled 185,000 and 450,000 units, declining by 36 and 21 percent respectively. These were lower than the previous estimation of 200,000 – 230,000 units and 500,000 – 550,000 units respectively. Thus, NESDB downwardly revised the projection of the car sales and car production in 2014 from 850,000 – 900,000 units to be around 750,000 – 800,000 units and 1.98 – 2.05 million units to be 1.90 – 1.95 million units.
- 4) **The lower-than-target disbursement of FY2014.** The disbursement rate of the fourth quarter of FY 2014 stood at 20.8 percent, less than 25.0 percent target. This turned total disbursement rate to stay at only 89.0 percent, lower than 91.3 percent set in the previous assumption and the target of 95.0 percent. In particular, the disbursement of capital budget was only 66.4 percent which thus lessen the contribution from the government expenditure and investment than previously assumed.
- 5) **The sluggish recovery of the tourism sector despite a continual improvement.** The number of tourists in the third quarter recorded at 5.8 million persons, declining by 10.1 percent, lower than a contraction of 7.0 percent as earlier assumed in the last projection. Therefore, in 2014, the number of tourists is expected to be around 25 million persons, revised from 25.7 million persons in the previous projection.

6. The Thai Economic Outlook for 2015

The Thai economy in 2015 is likely to accelerate from 2014, contributed mainly to (1) an improvement in export sector in line with further recovery of the global economy, (2) a recovery of tourism sector and investment, (3) an increase in government expenditure, (4) a drop in crude oil prices, and (5) less base effect caused by unusual high volume of car sales and production. Nevertheless, there remain some risk factors and limitations which could render the economic growth below its potential level. These include currency movements and economic policies in major economies, the fluctuation of currency and volatile global economy, and dampened household income caused by the slump in agricultural prices. However, encouragingly, an economic stability will remain sound due to lower inflationary pressures and a continual surplus in current account.

□ Supporting Factors

- 1) **A pick up in the export sector, which is in line with a pickup in the recovery of global economy and trade volumes.** In 2012-2013, the global economy experienced a downturn; the growth rates in 2012 and 2013 were 3.0 and 3.1 percent, respectively. In the meantime, the global trade volumes encountered a decelerated growth, expanding slightly by just 2.8 and 3.0 percent in 2012 and 2013, respectively. The slowdown has affected significantly to the Thai export sector, negatively. In 2013, the export growth rate decrease 0.2 percent and the positive sign have not expected to show in 2014. However, in 2014, the global economic situations have shown a sign of recovery. Intergovernmental agencies have projected that the growth rate would be 3.5-4.0 percent, by which it would help push up volumes of trade and would be a main driver for the Thai export sector and then, the whole economy.
- 2) **A recovery in a tourism sector and private investment.** In 2014, the tourism sector and private investment has been greatly affected from the domestic political calamity. However, the political situations have become more stable, and a recovery sign has become more apparent. In a tourism sector, the numbers of countries that have announce the warning alert for their citizens travelling to Thailand decreased from 66 countries in June 2014 to 58 countries in September 2014. The situation is getting better as in October 2014, the numbers of tourists increased by 6.1 percent; the first expansion in the past 9 months since January 2014. As for private investment, the investment values of applications for investment promotion in August 2014 have shown a positive growth rates for the first time in a four month period. Together with investment promotion already approved since June to September of approximately 380 billion baht as well as investment application pending for approval of around 280 billion baht, it is expected that private investment in 2015 will improve.
- 3) **Government expenditure.** In 2014, government expenditure encountered with many difficulties including the political uncertainty which caused the budget disbursement rate to be lower than the target especially the capital expenditure disbursement. Nonetheless, in the FY2015, the government has emphasized on the efficiency improvement of budget disbursement as a key agenda, following, the resolution of National Council for Peace and Order (NCPO) on the 2nd September 2014 and the economic stimulus package following the cabinet resolution on the 1st October 2014. One key measure under the fiscal stimulus plans is to expedite all government agencies to finish their procurements in order to turn into budget commitment by the first quarter of FY2015, as well as to disburse carry-over budget. Additionally, the government set budget of 657,901 million baht for state-owned enterprises, a 20-percent growth from last year. In addition, the government measures also aim to accelerate public investment in infrastructure projects, which it is expected to foster the economy further.

- 4) **A continued falling in crude oil prices** which it helps enhance household purchasing power of households and businesses, reduce inflationary pressure, and support ongoing quantitative easing measure. The crude oil price at the Dubai market declined from its peak in June 2014 at 108 US dollars per barrel to remain at 86.9 US dollars per barrel in October 2014 or decreasing by 19.5 percent, placing a downward pressure on domestic main oil prices (prices of Benzene 95, Gasohol 95, Gasohol 91, E20, E85 and Diesel decreased by 9.5, 9.1, 8.5, 6.7, 3.4 and 0.7, respectively, over the same period). Although the reduction of domestic oil prices were relatively slower than the world market prices due to the revenue collection for the domestic oil stabilization, and collection of excise tax on oil; by which these revenues go to subsidize renewable energy promotion scheme, the downward trend of domestic oil prices is likely to continue in 2015.
- 5) **The diminishing of unusual high base effect of domestic cars sales** under the ongoing normalization process. The sluggish growth rate of car sales in 2014 was partly due to the high base effect from the first-time-car buyer scheme. The scheme made the sales to surge from the average level of 700,000-800,000 cars in 2010-2011 to 1.35 million and 1.2 million cars in 2012 and 2013, respectively. However, in the first 9 months, the domestic sales were 537, 800 cars, falling sharply by 42.6 percent and thus made total car production volumes to drop by 23.3 percent. This high base effect correction is however expected to diminished by the end of 2014, which the domestic sale volumes are projected to record at 750,000-800,000 cars (decreasing by 35-40 percent from 2013), to remain at the same volumes as in 2010-2011.

□ Risk factors and limitations

- 1) **Exchange rate movement, changing economic policy and production cost in major trading partners.** Despite the fact that the global recovery in 2015 will be key supporting factors for exports and private investment, their expansion will likely to remain constrained by following key factors: (1) the quantitative easing after the US economic crisis in 2008 has affected the currencies of Thailand's major trading partners and sources of direct investment fund including the US dollars, Euro and Yen to appreciate continuously. The normalizing process of the US monetary policy in 2015 tends to devalue the Thai Baht against US dollars, however, the quantitative easing in Japan and the EU, is also likely to cause Thai Baht to appreciate against Yen and Euro. (2) After the US economic crisis, the labor costs in Thailand and other Asian have continued to increase while the labor cost in the US, Japan and the EU remain relatively stable amid persistently high unemployment conditions. (3) The investment promotion policies in US, Japan and the EU encourage investors to invest more in their countries. Such conditions tend to become limitations for competitiveness of exports price and the inward direct investment to Thailand.
- 2) **The farm income remains on a downward trend** due to lower agricultural products prices and a softened momentum from short-term direct transfer to farmers. In the first 9 months of 2014, agricultural price index and farm income contracted by 5.0 and 2.6 percent respectively, mainly due to the price reduction of major agriculture products particularly rice (contracted by 14.8 percent), rubber (contracted by 22.4 percent), and tapioca (contracted by 3.4 percent). Meanwhile, the government attempts to provide direct transfers to solve the agricultural problems in 2014 such as the expenditure under the rice pledging scheme, the expenditure to support rice farmers under the stimulus package with total value of 40 billion baht (cabinet approved on 30th September 2014) and the expenditure to support rubber farmers (cabinet approved on 21st October 2014). Nevertheless, it is expected that the effects from these fiscal stimulus will be waned during the beginning of 2015. Moreover, the world's agricultural prices continued to remain

weak. The aid measures for farmers in 2015 will more likely be the indirect measures which require lower expenditure than the direct measures.

- 3) **The capital flows and the exchange rate are likely to fluctuate and the global economy also tends to record a slower growth than projected.** In 2015, it is necessary to closely monitor the monetary and economic policies of major industrialized countries particularly the possibility of an interest rate liftoff from zero bound in the US, the additional quantitative easing, tax measures and economic stimulus packages in Japan, the quantitative easing, the progress over the deflation lessening and the risk of stagnation in the Eurozone as well as the risk of the Chinese economy to register lower growth than expected.

□ Key assumption for 2015 economic projection

- 1) **The world economy and trade volume** are projected to grow by 3.6 and 4.8 percent respectively, up from 3.2 and 3.8 percent in 2014. The driving forces are mainly from the stronger expansion of US economy and the improvement of Japan and the Eurozone economies.
- 2) **The average Dubai crude oil price** in 2015 is projected to be in the range of 80-90 US dollars per barrel, declining from the average of 100 US dollars per barrel in 2014. The decline in crude oil price is mainly due to (1) the higher crude oil production contributed by the increase in production capacity of the US and the non-OPEC countries. (2) The slow expansion in crude oil demand due to the sluggish recovery of global economy and the slowdown of the Chinese economy. (3) The lower demand for crude oil in the winter season compared to the previous year which experiencing with exceptional harsh winter in North America and Europe. (4) The appreciation trend of the US dollar and (5) The price war taken by Saudi Arabia to maintain and secure its market share.
- 3) **Export price of goods in US dollar term** is likely to be in the range of (-0.5)-0.5 percent, improving from the contraction of 0.9 percent in 2013. The improvement is due to more stable industrial export price of industrial products and a slower contraction of agricultural export price than in 2014. **Import price of goods in US dollar term** is projected to be in the range of (-1.0)-0.0, compared to a contraction of 0.7 percent in 2014, following the downtrend of crude oil and primary commodities prices in 2015.
- 4) **Thai baht currency** is forecasted to be in the range of 32.5-33.5 per US dollar, depreciating from the average of 32.45 per US dollar. The estimation is based upon the direction of US monetary policy which is expected to lift its interest rate in mid-2015 after ending the quantitative easing in October 2014.
- 5) **Numbers of inbound tourist** in 2015 is projected to be around 27.0 million people, expansion by 8.0 percent from 25.0 million people in 2014. The supporting factors include (1) Stable political situation and nonviolent domestic condition which is expected to lower the number of countries that maintain their travel warning. (2) The higher expansion of Chinese tourists. However, there remain some risks over the Ebola epidemic.
- 6) **The disbursement of FY 2015 budget** is expected to be 92.0 percent of total budget, improving from 89.0 percent of total budget in FY2014. The annual budget and capital expenditure disbursement are expected to be at 96.3 and 73.0 percent respectively, compared with 96.7 and 66.4 percent in the FY 2014, respectively.

World Economic Projection

	Actual Data	Actual Data	Projection of 2014		Projection of 2015
	2012	2013	Aug. 18, 2014	Nov. 17, 2014	Nov. 17, 2014
World Economic Growth (%)	3.2	3.0	3.3	3.2	3.6
USA	2.2	1.9	2.0	2.1	2.6
EU	-0.6	-0.5	1.0	0.8	1.2
Japan	2.0	1.5	1.4	1.0	1.2
China	7.8	7.7	7.4	7.4	7.2
World Trade Volume (%)	2.8	3.0	4.0	3.8	4.8
Exchange Rate (Baht/US dollar)	31.1	30.7	32.0 - 33.0	32.45	32.5 - 33.5
Dubai Crude Oil (US Dollar/Barrel)	108.8	105.0	102.5 - 107.5	100.0	80.0 - 90.0
Export Price (US Dollar) (%)	0.6	-0.5	(-1.5) - (-0.5)	-0.9	(-0.5) - 0.5
Import Price (US Dollar) (%)	1.6	-2.1	(-1.0) - 0.0	-0.7	(-1.0) - 0.0
Tourist (Million Person)	22.4	26.7	25.7	25.0	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, accelerating from 1.0 percent in 2014. The headline inflation is expected to lie between 1.4-2.4 percent and the current account will register a surplus of 2.3 percent of GDP.

□ Key Components of Economic Prospect in 2015

- 1) **Total consumption** is projected to grow by 3.1 percent, higher than 1.2 percent in 2014. **Private consumption** is projected to expand by 2.6 percent, better than 0.7 percent in 2014. This improvement owes to the normalization trend of car sales while it is expected to expand in 2015. In addition, other supporting factors include low inflation due the declines in crude oil prices as well as the gradual pick up of household income following recovery of export and tourism sectors, which are the primary income sources. **Public expenditure** is expected to grow by 5.6 percent, up from 3.6 percent in 2014, thanks to measures on efficiency enhancement of budget expenditure.
- 2) **Total investment** is expected to expand by 5.8 percent, compared with 1.9 percent contraction in 2014, the first expansion in two years. **Private investment** is projected to grow by 4.8 percent, compared with a 1.0 percent contraction in 2014. The supporting factors consist of better business and investors' confidences following improved economic and political situation, the clearer direction of public investment projects, and the results of several BOI investment approval projects which are expected to start operations in 2015. **Public investment** is expected to grow by 9.8 percent, up from 5.0 percent contraction in 2014, due primarily to the fiscal stimulus from expediting capital budget disbursement and the implementation of key transport infrastructure projects.
- 3) **Export value of goods in US dollar term** is likely to grow by 4.0 percent, improving significantly from the 0.0 percent growth in 2014. The export volume is projected to expand by 4.0 percent, spurring from 0.9 percent in 2014, thanks to the global economic recovery. Export price is forecasted to be in the range (-0.5) - 0.5. Together with higher export of services due to increasing inbound tourists, the export of goods and services is thus expected to expand by 4.4 percent, improving from a 0.3 percent contraction in 2014.
- 4) **Import value of goods in US dollar term** is forecasted to grow by 5.0 percent, compared with a contraction of 6.5 percent in 2014. Import volume of goods is forecasted to grow by

5.5 percent, up from a contraction of 5.8 percent in 2014. This owes mainly to the acceleration of investment, consumption, and export, which inevitably resulted in higher demand of capital goods, raw material and semi-finished material. Meanwhile, import price is expected to be in the range of (-1.0) - 0.0 percent. Together with the improvement in import of services, import volume of goods and services is projected to grow by 5.4 percent, compared with a contraction of 4.3 percent in 2014

- 5) **Trade balance** is likely to register a surplus of 19.6 billion US dollars compared with a surplus of 20.8 billion US dollars in 2014, due to higher growth of import value than that of export value. The improvement of number of inbound tourists will result in a smaller deficit of service account than that of 2014. In all, the current account is expected to remain in a surplus of 8.8 billion US dollars or 2.3 percent of GDP.
- 6) **Economic stability remains favorable.** The headline inflation in 2015 is estimated to lie in the range of 1.4 - 2.4 percent, compared with 2.1 percent in 2014. The downtrend is due to continual declines in crude oil and commodity prices.

7. Economic management for the remaining of 2014 and in 2015

Political uncertainty and a global economic slowdown were key limitations for the Thai economy in the first nine months of 2014 and led to low rate of expansion. Government efforts to solve various obstacles to economic expansion facilitated the Thai economy to recover in the second quarter and expanded further in the third quarter. The tourism has also restored since the beginning of the fourth quarter. Nevertheless, the economy over the rest of the 2014 and the 2015 remains subject to several challenges which could restrain the economy to grow below its full potential. These challenges include a gradual pace of the global economic recovery due to weak and fragile recovery of the Japanese and the EU economies, a downturn in agricultural prices, a delay key investment projects and associated government disbursement. Under such conditions, the macroeconomic management to support growth for the rest of 2014 and in 2015 should thus focus on:

- 1) **Supporting measures for low-income farmers** by (i) Accelerating delivery of the 40-billion-baht subsidy scheme for rice farmers, 8.2-billion-baht subsidy for rubber farmers, and credit measures to extend period before paddy sales and to promote rubber processing. (ii) Containing production cost of agricultural products, in particular prices of fertilizer, chemical products and machinery, to be in response to declining oil prices, agricultural products and primary commodity prices in the world market, as well as depreciation of major currencies. (iii) Preparing measures for preventing and alleviating drought conditions. (iv) Expediting the establishment of insurance system for agricultural products and promoting market mechanism to manage risks caused by farm price fluctuation. (v) Accelerating the development of agricultural processing industries.
- 2) **Providing supporting measures for low-income workers, workers with fewer working hours, laid-off workers** such as training programs for skill and capability enhancement in order to create opportunity for supplement and alternative occupations, as well as to offer employment for new graduates to earn income and improve their skills and experiences to be applied with their work or to establish their own businesses.
- 3) **Expediting exports to expand at its full potential** by (i) Speeding up the preparation of export target and strategies for 2015 with close collaboration with private sector in order to achieve at least 5 percent export growth. (ii) Working in close collaboration with other countries to reduce trade barriers both tariffs and non-tariffs under ASEAN framework agreement particularly CLMV countries which zero tariff rates are due by 2015. (iii) Negotiating to eliminate major trade barriers especially to resolve problems and

impacts of using expatriates in shrimp and fishing export industries.

- 4) **Monitoring and accelerating government measures already launched to support tourism sector while preparing additional measures to further boost the sector** by (i) Providing information with strategic communication about the situation in Thailand to those 58 countries which remain their tourist warning for Thailand destination. (ii) Lifting up security measures to protect tourists from crimes, exploitation and trading scams. This also includes well ordering of major tourist attractions as well as campaigning the '2015 Discover Thainess' tourism under the government policy. (iii) Considering the extension of visa exemption for Chinese and Taipei tourists which ended on 8th November 2014 to be valid during the high tourist season throughout the beginning of 2015. (iv) Collaborating closely with private sector and airlines to promote tourism campaign and launch new airline routes to major tourism destinations.
- 5) **Speeding up the approval of key investment projects and the already approved projects to start their operations promptly** as well as accelerating the enactment of 7-Year BOI's investment promotion strategy (2015-2021) in order to boost investor confidence in preceding their investment plan under clear policy guidelines and strategies.
- 6) **Expediting the restructuring of energy prices in order to increase household purchasing power permitted by the price drop, lower production cost and thus help stimulate the economy.** This can be done by (i) Reconsidering LPG prices as well as benzene and diesel prices to reflect real costs. (ii) Maintaining alternative energy prices to be in line with production cost to reduce unnecessary costs on the economy. (iii) Adjusting revenue collection for the oil stabilization fund and oil excise tax to be in tandem with the economic conditions and movement of world oil prices.
- 7) **Implementing accommodative monetary and exchange rate policies to facilitate further economic growth** which still remain below its potential growth, while facing with lower inflationary pressure and currency depreciation of key trading partners namely Yen and Euro.
- 8) **Accelerating, monitoring progress and evaluating public flagship projects/programs contained in the annual action plan to ensure effective public spending** as being addressed under the measures on efficiency enhancement of budget expenditure for FY 2015 and 3-month economic stimulus measure. It is also important to closely monitor and evaluate the implementation results of key economic projects and programs under the annual government action plans (2015) such as transportation and infrastructure investment projects, establishment of special economic zones and economic restructuring programs.

Economic Projection for 2014 - 2015

	Actual Data		Projection		
			2014		2015
	2012	2013	Aug. 18,2014	Nov. 17,2014	Nov. 17,2014
GDP (at current prices: Bil. Bht)	11,375	11,899	12,364	12,268	12,979
GDP per capita (Bht per year)	167,501	174,337	180,203	178,801	188,157
GDP (at current prices: Bil. USD)	366	387	380	378	393
GDP per capita (USD per year)	5,389	5,673	5,545	5,510	5,702
GDP Growth (at constant prices, %)	6.5	2.9	1.5-2.0	1.0	3.5-4.5
Investment (at constant prices, %)	13.2	-2.0	-2.0	-1.9	5.8
Private (at constant prices, %)	14.4	-2.8	-2.9	-1.0	4.8
Public (at constant prices, %)	8.9	1.3	1.0	-5.0	9.8
Consumption (at constant prices, %)	6.8	1.1	1.3	1.2	3.1
Private (at constant prices, %)	6.7	0.3	0.8	0.7	2.6
Public (at constant prices, %)	7.5	4.9	3.7	3.6	5.6
Export volume of goods & services (%)	3.1	4.2	1.7	-0.3	4.4
Export value of goods (Bil. USD)	225.9	225.4	229.9	225.4	234.4
Growth rate (%) ^{1/}	3.1	-0.2	2.0	0.0	4.0
Growth rate (Volume, %) ^{1/}	2.5	0.2	3.0	0.9	4.0
Import volume of goods & services (%)	6.2	2.3	-3.1	-4.3	5.4
Import value of goods (Bil. USD)	219.9	218.7	208.1	204.6	214.8
Growth rate (%) ^{1/}	8.8	-0.5	-4.9	-6.5	5.0
Growth rate (Volume, %) ^{1/}	7.1	1.6	-4.4	-5.8	5.5
Trade balance (Bil. USD)	6.0	6.7	21.8	20.8	19.6
Current account balance (Bil. USD)	-1.5	-2.5	9.9	10.9	8.8
Current account to GDP (%)	-0.4	-0.6	2.6	2.9	2.2
Inflation (%)					
CPI	3.0	2.2	1.9-2.4	2.1	1.4-2.4
GDP Deflator	1.3	1.7	1.9-2.4	2.1	1.4-2.4

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

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